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WORLD NEWS

Fresh hope for release of hostages

Hopes rose for the 17 western hostages in Lebanon after the Shia Moslem cleric Sheikh Mohammed Hussein Fadlallah issued a plea for their release. Sheikh Fadlallah has close links with the Hizbollah, the umbrella organisation for the Shia Moslem militants who are holding the hostages.

The plea signals a fresh initiative by the Iranian Government on the issue. Page 3

Perrier lawsuit

Perrier, the French mineral water company which is recalling supplies due to contamination fears, received a lawsuit claiming millions of dollars damages. The lawsuit, filed in the US on behalf of consumers, accuses Perrier of knowingly selling contaminated water. Page 12

Britain lifts sanctions

The Government removed a ban on new investment and promoting tourism in South Africa in spite of opposition from the EC and many black South Africans. Page 4; Thatcher denies she is isolated, Page 2;

Rolls-Royce closure

Rolls-Royce is closing its naval nuclear propulsion plant at Hartlepool, Cleveland, with the loss of 330 jobs. Page 4

Sellafield joint action

British Nuclear Fuels and trade unions will work together to reduce the risk of radiation exposure to staff at Sellafield. The move follows a report suggesting a direct link between child leukaemia victims in the area and radiation exposure to their fathers working at the site. Page 6

Mandela visit planned

African National Congress leader Nelson Mandela is to visit Tanzania next month for talks with government leaders and an expected tour of ANC military camps. Anglo chief to visit Mandela, Page 3

Soviet minister removed

Soviet minister Grigori Knyazev, who presided over the use of troops to break up a demonstration in Alma-Ata, Kazakh in 1986, has been relieved of his duties, amid calls for a reassessment of the disorders. Soviet security precautions, Page 2

Romanian crackdown

The Romanian Government issued a seven-point decree aimed at cracking down on violent demonstrations and said it would tighten security around official buildings.

Riots in Kenya

Anti-government riots erupted in Nairobi and the provincial city of Kisumu, Kenya, following the funeral of foreign minister Robert Ouko, who demonstrators believe was murdered. In Kisumu police fired tear gas after battling with several thousand people.

Court clears Kopp

Switzerland's Federal Criminal Court ruled former justice minister Elisabeth Kopp did not violate official secrecy laws when she warned her husband to quit a company suspected of laundering drug profits. Page 2

Duarte dies

Former Salvadorean President Jose Napoleon Duarte died yesterday after a two-year battle with cancer. He was 64. Obituary, Page 2

US soldiers killed

Two US soldiers died after their helicopter crashed in thick jungle in Panama and aircraft are searching for a second helicopter missing with nine men aboard.

Seal cull ban extended

Norway extended its ban on killing seal pups in the Arctic for a further year. It is also cutting the number of adult seals which hunters may kill from 38,500 to 34,400.

BUSINESS SUMMARY

Lloyds shows losses of £715m

Lloyds Bank, the smallest of the "Big Four" UK clearing banks, revealed pre-tax losses of £715m last year, caused by problem debts in the Third World.

The loss is the largest announced by a bank in Europe and comes in a week which has produced some of the worst results in British banking history. Midland Bank reported a £261m loss on Thursday, while National Westminster's profits were cut by more than £1bn. Page 24; Details, Page 10; Lex, Page 24

SHARES in London came under further pressure after the Nikkei index dropped 935.87 to 34,890.97 on the Tokyo market. The FT-SE 100 share index recorded its fourth double-figure decline of the week, falling 32.5 to 2,236.7, a fall of 89.2 on the week. Page 24; Market reports, Page 15; Lex, Page 24

FT-SE 100 Index

FERRANTI executive chairman Sir Derek Alun-Jones has resigned from the troubled UK electronics group. Eugene Anderson, former chief executive of Johnson Matthey, has replaced him. Page 4

SHELL UK was fined £1m at Liverpool Crown Court for polluting the Mersey with 157 tonnes of crude oil. Page 4

GLOBE INVESTMENT, Britain's largest investment trust and the only one to feature in the FT-SE 100 Share Index, is finally severing shareholding links with Electra, its fellow trust, via a £101m share sale. Page 10

MAN, the West German truck, printing machinery and engineering group, is raising DM582m (£203m) through a rights issue of voting and preference shares to strengthen its finances and help pay for recent acquisitions. Page 12

UNION des Assurances de Paris, the leading French state-owned insurance company, yesterday unveiled a FFr10.5bn (£1.08bn) rights issue, the largest ever on the Paris exchange. Page 12

ELDERS IXL, the Australian brewing conglomerate, suffered a sharp fall in interim profits due to large provisions for its finance and investment arm.

PANFIDA, the Australian-controlled retail and property company which operates the Martins chain of confectionery, tobacco and newsagent stores in Britain, plans to pay £8.2m to gain control of the 850-store chain. As part of the same deal, Rupert Murdoch's News International is taking a stake of up to 31.3 per cent in Panfida. Page 10

EASTERN Air Lines, the US air carrier put into bankruptcy last year after a crippling strike by its unions, has signed an agreement with its unsecured creditors. Page 12

WALTER RUNCIMAN, the UK shipping, security and insurance group again became the target of a hostile takeover bid when Forvaltnings AB Avena, a Swedish holding company, launched a £47.8m bid for the company. Page 10

AEROFLOT, the Soviet state carrier, is to begin operating charter flights from Britain and Ireland next month with first and business class seating and full bar service. Page 4

Decision on EMS to be left to Major

By Philip Stephens, Political Editor

A DECISION on whether Britain takes up full membership of the European Monetary System before the next general election now appears to rest firmly in the hands of Mr John Major, the Chancellor.

Ministers believe that Mrs Margaret Thatcher is no longer displaying the implacable opposition to membership which characterised her approach to the EMS exchange rate mechanism during the Chancellorship of Mr Nigel Lawson.

The Prime Minister has not become an enthusiast for the system. The view in Downing Street is that high British inflation and the imminent prospect of German monetary union probably rule out such a move in the next few months.

One senior minister also suggested this week that a softening in Mrs Thatcher's stance might be deceptive – reflecting a view that the upheavals resulting from German unification would remove the pressure on Britain to participate.

Others have concluded, however, that if and when Mr Major judges the moment opportune, then the Prime Minister will no longer block a decision to join. This would mark a clear change of emphasis from the position that she adopted several times during the Chancellorship of Mr Nigel Lawson. "She is relaxed about it . . . there is a change of mood," one member of the cabinet commented.

Both Mr Douglas Hurd, the Foreign Secretary, and Sir Geoffrey Howe, the deputy prime minister, are expected to push for membership later this year. Other ministers are said to believe that a decision to join would provide the backdrop for the sharp fall in interest rates that they hope to see before the election.

Mr Major has said that he is an enthusiastic supporter of membership of the exchange rate mechanism to provide an

Continued on Page 24

Thatcher denies isolation, Page 2; Sanctions dropped, Page 4

Mrs Thatcher listens to a translation after talks with the Italian prime minister at Downing Street yesterday.

Economies of scale seen as the rationale behind the arrangement

Renault and Volvo to link

By Kevin Done, Motor Industry Correspondent, in Amsterdam

RENAULT of France and Volvo of Sweden are to join forces in an extensive technical and industrial co-operation deal backed by a far-reaching exchange of equity stakes.

The deal will involve the partial privatisation of the French group with the change of Renault's controversial status as a state agency or *régie* into a limited company.

According to the terms of a letter of intent, Volvo will take an initial 20 per cent stake in the Renault parent company and its car and van operations with an option to increase this to 25 per cent within three years of a final agreement.

Volvo will also take a 45 per cent stake in Renault Vehicules Industriels (RVI), Renault's truck and bus operations.

At the same time Renault is to take a 45 per cent stake in Volvo's truck and bus operations, and a 25 per cent stake in the Swedish group's car operations. It is also planning to purchase a stake of up to 10 per cent in the Volvo parent company through the open market.

For Volvo, the purchase of the stakes in Renault will have an estimated gross cost of around SKr23bn (£2.2bn) but after the exchange of shares in the operations it will face an initial net payment of SKr8bn to reach a stake of 20 per cent in Renault and an additional SKr4bn to increase this to 25 per cent.

Man in the News, Page 8; The Volvo-Renault deal, Page 11; World Stocks, Pages 20,21; Lex, Page 24

Renault will face a payment probably in excess of SKr5bn to buy up to 10 per cent of Volvo in the open market.

As part of the deal the two companies have valued the Renault operations at FFr45.4bn (£4.72bn) – FFr34.4bn for the car operations and FFr11bn for the truck and bus operations – while the Volvo operations are valued at SKr32bn – SKr16bn respectively for car and trucks.

The combination of the operations of the two groups will produce the world's biggest truck and bus maker, overshadowing Daimler-Benz of West Germany, the present world market leader, with a combined production in 1989 of 151,000 trucks and buses, 83,000 by Renault and 68,000 by Volvo.

Volvo is the dominant heavy truck maker and both groups have a substantial presence in North America as well as in West Europe, Volvo through its 76 per cent stake in Volvo GM Heavy Truck Corporation and Renault through its 45 per cent stake in the heavily loss-making Mack truck operations.

The combined automotive operations of the two groups will have an annual turnover of SKr250bn-SKr275bn and the two groups together would rank as the fourth largest industrial concern in West Europe.

In 1989 Renault produced 1.97m cars and 83,000 trucks and buses, while Volvo produced 405,000 cars and 68,000 trucks and buses.

The deal still needs approval by a range of bodies and authorities including the French and Swedish Governments, and Volvo shareholders. It is planned that the new organisation between the two companies should be in full operation at the beginning of 1991.

Both companies plan to maintain the independence of their sales and distribution networks and of their brand-names. Volvo and Renault claimed yesterday that each company would also continue to assemble its own cars, trucks and buses.

The rationale for the deal lies in a planned far-reaching technical and industrial co-operation with the co-ordination of product development programmes, especially in the areas of advanced engineering and components, and in the co-ordination of purchasing operations. At the same time investment plans will be co-ordinated to "secure economies of scale and limit unnecessary duplication or waste of industrial resources."

The two groups will maintain their existing corporate headquarters in Paris and in Gothenburg, but will establish three main committees between the two companies.

The joint general policy committee dealing with strategic directions for the groups' joint efforts will have Mr Raymond Levy, chairman and chief executive of Renault, and Mr Pehr Gyllenhammar, chairman and chief executive of Volvo as co-chairmen. Two separate committees will be established for cars and for trucks and buses.

Ambulance workers expected to accept pay deal

By Diane Summers and Ralph Atkins

AMBULANCE WORKERS are likely to accept a complex pay deal recommended by union leaders following 20 hours of talks with National Health Service managers early yesterday.

However, the absence in the offer of a pay formula was a source of disappointment in many parts of the country. The strongest protests came from Merseyside, where crews announced that they would start an all-out strike from Monday. Some London stations could also refuse the offer.

NHS managers said the cost of the settlement would be 13.3 per cent over two years, while union leaders emphasised that pay for qualified ambulance staff would rise by more than 22 per cent between April last year and October this year.

The 23-week dispute has meant a substantial loss of earnings for many ambulancemen, in spite of public generosity. The money on offer comes as a significant inducement: qualified ambulance crew members' basic pay will rise from £10,093 to £11,001 annually from March 1 and to £11,870 from October 1.

The deal struck in the ambulance staff Whitley Council was based on the NHS management's offer in November of a 9 per cent rise over 18 months. The two-year deal was reached by adding a basic pay increase of 7.9 per cent to cover the final six months to March next year.

It also included new allowances of between £150 and £500 for staff trained in paramedical skills and promised extra payments of 2 per cent tied to productivity improvements to be agreed upon with local ambulance services.

The five unions involved will make separate arrangements for balloting, which will start on Monday. The result should be known by March 13.

Final settlement of the ambulance dispute will come as a relief for the Government and its supporters. The long-running intransigence led to widespread unease among many Conservative MPs and was frequently used as ammunition by the Opposition.

The terms of the settlement mean that the Government can claim its determination to control public sector pay has not been compromised. Downing Street said the deal would increase the wage bill by 13 per cent over two years.

Ambulance dispute, Page 7

Weekend FT

THE MAN WHO FELL TO EARTH

Junk bond king Michael Milken rose to fame and fortune with one simple idea. His collapse has rocked Wall Street to its foundations.

Janet Bush reports **Page I**

Finance and the family

Sara Webb finds out what's in store for first-time home buyers

Christian Tyler looks at pre-nuptial pacts . . . Ivana Trump et al

Pages III-VII

Sport

Michael Thompson-Noel makes a handy return on his assets when he goes bookie bashing **Page XXII**

Gardening

Robin Lane Fox wants to keep his garden Green but is determined to spray and poison all the pests **Page X**

Travel

Jack Barker tells how he met a man with a stuffed pelican in the middle of the desert **Pages XVI-XVII**

Warning by Saatchi as shares slide

By Daniel Green

SAATCHI and Saatchi, the UK advertising agency, yesterday issued another warning about its financial prospects after the shares had fallen by almost a quarter on the London stock market.

Sentiment was also hit by renewed publicity for a shareholder lawsuit in the US which alleges that directors – including Mr Maurice Saatchi, chairman and former joint chief executive and Mr Charles Saatchi, a director and former joint chief executive – last year concealed adverse information on the company's prospects.

Saatchi yesterday closed 44p down at 138p, making a 64p fall in two days.

The agency, held up as an icon of entrepreneurial success in the 1980s partly as a result of the success of its advertising campaigns for the Conservative Party, said profits for the current year "were unlikely to

Continued on Page 24

Lex, Page 24; London Stocks, Page 15

Roux admits he lied to DTI inspectors

By Raymond Hughes, Law Courts Correspondent

MR OLIVIER ROUX, a vital prosecution witness at the Guinness trial, yesterday admitted he lied to Department of Trade and Industry inspectors investigating the Guinness takeover of Distillers.

Cross-examined by Mr Richard Ferguson, QC, for Mr Ernest Saunders, Mr Roux agreed that evidence he gave the inspectors about a company linked with Mr Ephraim Margulies, chairman of Berisford International, had been "complete and utter lies."

He also agreed that it had been part of a cover-up to conceal the truth about payments totalling £3.4m made as a reward to Mr Margulies for his help during the takeover.

One payment, for £1.94m, had been to Compagnie Internationale de Finance et Commerce (Cifco).

The transcript of Mr Roux's evidence to the inspectors showed that he had told them Cifco had been known to him before the Distillers takeover.

Mr Ferguson asked if that had been so.

"No," replied Mr Roux.

Mr Ferguson: "You told a lie to the inspectors?"

"At that time, yes," Mr Roux said.

Mr Ferguson: "You told a lie when you had affirmed your intention to tell the truth and you had been told by the inspector that the effect is the same as if you had sworn on the Bible ?"

Mr Roux: "Yes."

He agreed that he had told other lies to the inspectors about a £1.495m payment to Erlanger & Co, a Berisford subsidiary.

Mr Roux is a witness in the trial of Mr Saunders, former chairman and chief executive of Guinness, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes and Sir Jack Lyons, the millionaire financier.

They deny charges alleging they were involved in an unlawful share support operation mounted by Guinness during its bid for Distillers.

The trial continues.

The Guinness trial, Page 4

MARKETS

STERLING
New York lunchtime:
$1.7110
London:
$1.7090 (1.7145)
DM2.8675 (2.8625)
FFr9.7125 (9.7000)
SFr2.5250 (2.5265)
Y251.25 (250.25)
£ index 90.2 (90.3)

GOLD
New York: Comex Apr $413.7
London:
$416.0 (417.75)

N SEA OIL (Argus)
Brent 15-day Apr
$19.275 (–0.10)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.67715
FFr5.6875
SFr1.4745
Y147.00
London:
DM1.6870 (1.6700)
FFr5.6825 (5.6575)
SFr1.4770 (1.4720)
Y146.95 (145.90)
$ index 67.1 (66.8)
Tokyo close: 146.47

US LUNCHTIME RATES
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.918%
Long Bond:
$99\frac{3}{8}$
yield: 8.552%

STOCK INDICES
FT-SE 100:
2,236.7 (–32.5)
FT Ordinary:
1,762.3 (–27.5)
FT-A All-Share:
1,114.95 (–1.4%)
New York lunchtime:
DJ Ind. Av.
2,566 22 (–8.55)
S&P Comp
323.70 (–2.0)
Tokyo: Nikkei
34,890.97 (–935.87)

LONDON MONEY
3-month Interbank:
closing $15\frac{1}{32}$% (same)
Liffe long gilt future:
Mar $85\frac{5}{8}$ ($85\frac{7}{16}$)

CONTENTS

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Thatcher denies she is isolated on key EC policies

By Robert Mauthner, Diplomatic Correspondent

MRS Margaret Thatcher, the British Prime Minister, unrepentant in the face of criticism that she was being negative about the prospect of a united Germany, yesterday called for an urgent start to international consultations on German unification.

"There are many things which have to be settled resulting from the unification of Germany," Mrs Thatcher told a news conference after talks in London with Mr Giulio Andreotti, the Italian Prime Minister.

Though it was decided at the recent Ottawa conference between Nato and Warsaw Pact foreign ministers, that the problems of German unification would be discussed by the two Germanys and the four Second World War Allies – the US, the Soviet Union, Britain and France – other countries would have to be consulted.

The real changes would have to be discussed by full Nato, full 35-nation Helsinki Agreement and full European Community meetings, Mrs Thatcher said. "We think some of these things should get going now.

"We are at a stage of establishing the questions that have to be asked. We are asking them. We are starting to find a new framework for the future."

The British Prime Minister angrily dismissed suggestions by a questioner that she was isolating herself from her European Community colleagues, not only over German unification, but over the lifting of sanctions against South Africa.

She admitted that there were some differences with Mr Andreotti over the lifting of voluntary sanctions on investment and tourism. But on the subject of German unification, it seemed as if there had been a broad meeting of minds between the British and Italian leaders.

Mr Andreotti refused to be drawn when asked whether he thought Mrs Thatcher was isolating herself from her European colleagues, saying that he was not Mrs Thatcher's biographer.

The statement she had made on German unification was made "with a sense of responsibility, an attempt to keep the issue within the framework of problems confronting Nato and the Helsinki conference", the Italian Prime Minister said. "I do not think there is any criticism to be made."

On South Africa, Mr Andreotti also declined publicly to condemn Mrs Thatcher's unilateral decision on sanctions. He said that President F.W. de Klerk had taken some "extraordinary steps". "This requires a great deal of sympathy from all of us and encouragement in doing what we have asked him to do."

Delors calms fears on tax harmonisation

By Kieran Cooke in Dublin

Mr Jacques Delors, President of the European Commission, yesterday moved to quell fears in some EC countries about the impact of tax harmonisation.

Speaking at a Confederation of Irish Industry Conference in Dublin, Mr Delors admitted that discussions on tax harmonisation were extremely difficult but said compromises were being worked out. "It could be that a type of compensation for two or three countries who might perhaps lose significant resources due to tax harmonisation could be the answer," said Mr Delors.

Ireland, which at present holds the EC Presidency, has been particularly forthright about the adverse effects that tax harmonisation would have on its Exchequer. The Irish Government calculates that there would be an annual Exchequer loss of more than I£600m (£560m) if Ireland were to bring VAT – at present 23 per cent – into line with current Commission proposals for two bands at lower levels.

Ireland is at present fighting a case in the European Court of Justice in Luxembourg over its restrictions on shoppers who go across the border to Northern Ireland to take advantage of lower VAT and excise duties.

Mr Delors told his Dublin audience that much had been achieved in closing the gap between the richer and poorer countries in the Community. "Growth in Spain, Portugal and Ireland has been well above the average and living standards have been catching up. Take Ireland as an example. In 1986 GDP per head was 63 per cent of the Community average. Our estimates show that this will have increased to 67 per cent this year," said Mr Delors.

But despite Mr Delors' words of encouragement, not everyone was happy. As the Commission President strolled through Dublin's streets to receive an honorary degree from Trinity University, a placard followed him with a simple, sovereign message: "Get off our backs, Jacques."

Carlsson unveils fresh package for economy

By Robert Taylor in Stockholm

MR Ingvar Carlsson, who is expected to win parliamentary approval on Monday for his formation of a new minority Social Democratic Government, announced details yesterday of a fresh package of measures to deal with Sweden's economic troubles.

The price and rent freeze until the end of 1991, announced two weeks ago, will remain in place. But there will be no pay freeze, after Parliament last week rejected the proposal and triggered the previous Carlsson government's resignation.

Instead the Government intends to appoint a special negotiator with the task of assisting Sweden's employers and the unions in curbing wage settlements for the rest of this year and next.

Mr Carlsson told a press conference that the new negotiating system would have to be in place by the beginning of April, when the Government introduces its supplementary budget. He said that if a level of wage rises satisfactory to the Government had not been reached by then, further financial restrictions would be introduced to cool the labour market.

The new economic package includes other measures designed to dampen down demand. These involve a 30 per cent investment tax on the construction industry in the overheated Stockholm and Gothenburg areas; higher taxes on tobacco, wine and spirits to raise a further SKr900m (£87m); and the introduction of obligatory sick pay from January 1, 1991, with employers taking responsibility for paying sick benefit for the first 14 days of a workers' absence, saving SKr15bn a year in sickness payment benefit by the state.

Mr Carlsson also revealed measures to improve the supply side of the economy. People will be encouraged to work until they are 67. Young workers from the Baltic states in the Soviet Union are to be encouraged to come and work in Sweden on short work permits, while Swedes will be offered a chance to work on full pay instead of taking a fifth and sixth week legal holiday entitlement.

Japanese economist issues warning on monetary policy

THE Group of Seven leading industrial countries should shift the focus of their international economic policy co-ordination away from monetary policy towards preventing a new financial market crash, a former leading official of the Bank of Japan said yesterday. Peter Norman writes.

Mr Yoshio Suzuki, vice-chairman of Nomura Research Institute and former director of research at the Japanese central bank, said that G-7 monetary policy co-ordination had been bad for the world economy. "If it had not been for the international co-ordination, the stability of the domestic macroeconomies of major countries since 1988 would have been better," he told a London conference, organised by the Cato Institute of the US and the Institute of Economic Affairs.

Excessive co-ordinated interest rate reductions after the stock market crash of October 1987 had produced increased inflation and interest rates worldwide, he said. He added that said G7 co-ordination efforts should aim at maintaining autonomous monetary policies in Japan, the US and Germany.

Former Swiss minister acquitted

By William Dullforce in Geneva

MRS ELISABETH Kopp, former Swiss Justice Minister, was acquitted yesterday of a charge that she had broken the law by passing on to her husband information about a drugs money investigation.

Five judges of the Swiss Federal Tribunal said it had not been clearly proved that Mrs Kopp knew that the information came from within her ministry. She could not therefore be found guilty of violating the official secrets act.

Mrs Kopp, Switzerland's first woman cabinet minister, was forced to resign in January 1989 after it had been disclosed that she warned her husband, Hans, by telephone that Shakarchi Trading, a currency dealing company in Zurich of which he was vice-president, was under investigation in connection with alleged laundering of "dirty money" from international drugs trafficking.

Her act led not only to the first criminal trial of a cabinet minister in Swiss history, but also to an inquiry by a parliamentary commission into the running of the public prosecutor's office and the Justice Ministry. The commission uncovered the existence of secret police files on some 900,000 Swiss and foreign citizens, and triggered allegations in the media that the Swiss political and business establishment had been operating a state within the state.

Mrs Kopp's defending lawyer argued that her trial had been prejudiced by this public ferment.

The five-man court found Mrs Katharina Schoop, the personal assistant who tipped off Mrs Kopp about the money-laundering inquiry, guilty of violating official secrecy but imposed no penalty on her. She had talked to Mr Kopp at Mrs Kopp's request and the court accepted her argument that she did not realise she was breaking the law.

A third defendant, Mrs Renate Schwob, the Justice Ministry official who had been the source of Mrs Schoop's information, was acquitted of breaking the official secrets act. The judges awarded her an indemnity of SFr25,000 (£10,000).

The court decided that Mrs Kopp should pay four-tenths of the costs of the trial, with Mrs Schoop paying one-tenth, and the taxpayer the rest.

Canada boosts telecom drive in Hungary

CANADA'S Northern Telecom has reinforced its position in Hungary by signing a joint venture with BHG, the country's only indigenous maker of telecommunications exchanges and Austria Telecommunications, an Austrian research group. The new venture will make and supply digital switching systems in Hungary, writes Hugo Dixon.

Hungary, like other Eastern European countries, is planning big investments to modernise its out of date phone network. Its plans call for installation of 3m lines over the next 10 years, which would mean 35 per cent of its population having phones.

As part of an earlier deal Hungary has already been supplied with 80,000 lines of Northern Telecom's switching equipment. Northern, however, will not have the Hungarian market to itself. West Germany's Siemens and France's Alcatel have also announced joint ventures, and Sweden's Ericsson last year supplied a large gateway exchange to the country.

Tight security ordered for Soviet demonstrations

By Quentin Peel in Moscow

EXTRAORDINARY security precautions have been ordered by the Soviet Government and local authorities to counter mass demonstrations called across the country tomorrow by radical groups to demand greater democracy and power-sharing from the ruling Communist Party.

Fears that demonstrators may try to seize government and party buildings have been voiced by the Soviet media and officials, who have tried to ban or restrict the rallies to remote areas of their cities.

Hundreds of thousands are expected to take to the streets from Leningrad in the north to Tbilisi in the south, and from the big cities of the Ukraine in the west to the huge industrial complexes of the Ural mountains, and to Siberia.

In Moscow, organisers are hoping for 300,000 or more to gather in a demand for round table talks between the ruling party and opposition organisations, after the decision by the central committee of the Communist Party three weeks ago to abandon its guaranteed monopoly on power.

At the same time, supporters of the democratic movements are deeply concerned at what they claim is official "provocation", with all security forces mobilised to contain the rallies.

Mr Valery Saikin, the mayor of Moscow, said all measures normally taken for national holidays – when the city centre is effectively closed to traffic and all shops shut – were planned tomorrow. The city's chief of Interior Ministry forces – including internal troops – said all his forces had been mobilised.

A danger is that the demonstrators, ordered to keep to a short parade around the city's ring road, will try to break through to the city centre and the Kremlin.

Confusion continues in Leningrad. The city's Popular Front has called on supporters to boycott a rally in the Lenin sports complex in Pobeda park because of the tense situation in the city, but the radical Democratic Union has urged its supporters to turn out to back the big Moscow rally.

In Sverdlovsk, in the Urals, the authorities are openly admitting fears that demonstrators may try to seize the headquarters of the city council or the Communist Party, where the powerful party leader has been sacked in recent weeks.

■ An agreement on the complete withdrawal of Soviet troops from Hungary is expected to be signed in the next few weeks, Col-Gen M. Burlakov, commander of the Soviet army group, said yesterday, writes Quentin Peel.

He was speaking after confirmation from Prague that Czechoslovakia and the Soviet Union had reached final agreement on a complete troop withdrawal from that country over a period of about 18 months.

Lithuanian election begins testing time for Moscow

By Quentin Peel in Moscow

THE first multi-party elections to a republican parliament in the Soviet Union take place today in Lithuania, with all the major parties backing outright independence for the Baltic republic.

In spite of the ruling Soviet Communist Party's decision to scrap the constitutional guarantee of its monopoly on power, Lithuania remains the exception and not the rule in the forthcoming local elections across the country. Only in the three Baltic republics – Estonia and Latvia, as well as Lithuania – does the contest include any formal political parties other than the Communist Party itself.

Yet the whole election process for the republican parliaments, city and district councils, is seen as a crucial test of the ruling party's authority. In spite of widespread efforts to restrict the numbers of genuinely independent candidates, and many cases where leading officials are standing unopposed, Soviet electors are expected to demonstrate their growing dissatisfaction with full-time party bureaucrats by crossing them off the ballot papers.

Even where no alternative parties are allowed, as in the most important elections of all – in the Russian federation, Ukraine and Belorussia on March 4 – dozens of informal movements, voters' associations, popular fronts and the like have sprung up to challenge the Communist Party's effective monopoly on power. Even if party members are likely to remain in an absolute majority, an alliance of "democratic" Communists and democrats from outside the party could become the real majority in key cities and regions.

A major question will be whether the "democrats", led by the Party maverick, Mr Boris Yeltsin, and other members of the Inter-Regional Group in the Congress of People's Deputies – the national super-parliament – can gain a majority in the Supreme Soviet of the Russian Federation. Another will be whether the Rukh national movement in the Ukraine, along with Greens and other non-Communist candidates, can gain a majority from party conservatives in the Ukraine.

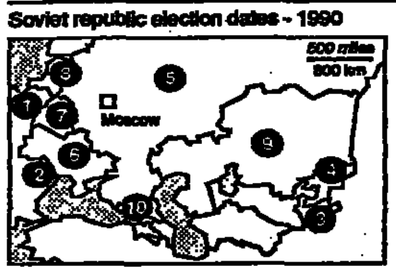
Around the fringes of the Soviet empire – in the Baltic republics, Georgia and Moldavia – the local Communist Parties have had to move sharply into the nationalist camp in order to preserve any credibility in the forthcoming poll. Where they have done so successfully, as in Lithuania and Estonia (which votes on March 18), the party is expected to remain the largest single unit. However, even there the dominant forces in the Communist parties are now clearly social democrats.

In Moldavia, the ruling party has been transformed in barely three months by the new party leader, Mr Pyotr Luchinsky, with revived popularity thanks to its willingness to talk to informal groups, including the powerful Moldavian Popular Front.

In Central Asia, however, the erosion of Communist power has moved much more slowly. Election results for Uzbekistan, where voting took place last Sunday, showed that out of 368 republican deputies elected on the first round, 94.6 per cent are party members. Only 42 are women, and 50 are classified as workers. Voter turnout remained unnaturally high, claimed at 93.5 per cent.

USSR goes to the polls

Soviet republic election dates - 1990



Today: 1 Lithuania
Tomorrow: 2 Moldavia
3 Tadzhikistan
4 Kirgizia
March 4: 5 Russia
6 Ukraine
7 Belorussia
March 18: 8 Estonia, Latvia
March 25: 9 Kazakhstan
10 Georgia

SPD rallies East and West in Leipzig

A leader of the West German Social Democrats (SPD), Mr Oskar Lafontaine, right, with a prominent East German SPD member, Mr Ibrahim Böhme, at a party rally in Leipzig yesterday

Bonn agrees package on pollution factories

By David Marsh in Bonn

THE West German Government agreed yesterday to help find new jobs for workers in East German factories which need to be closed or run down because they heavily pollute the environment.

The step came as some experts were predicting that the jobless total in East Germany could rise to around 500,000 by the end of the year, from 70,000 at present, as a result of the introduction of a market economy.

Mr Klaus Töpfer, the Bonn Environment Minister, and his opposite number from East Berlin, Mr Peter Diederich, announced a list of joint ecological protection measures to help clean up severe pollution in East Germany.

Reporting on the first meeting here of the East-West German Environment Commission, Mr Töpfer, said the two states wanted to move towards an "environment union" to back up planned links in the economic, monetary and social fields. Members of the Commission revealed that 65,000 East German workers are employed in seriously polluting factories which are allowed to operate only under exemptions from East German health rules.

These are above all in the Bitterfeld and Merseburg areas, the centre of East Germany's notoriously dirty chemical industry, as well as south of Leipzig and around Dresden.

Parts of all these works would have to be closed down, Mr Diederich said. As well as pledging DM1bn (£350m) in budgetary funds during the next few years to help clean up the worst offending plants, Bonn will also try to support new industries moving into these regions to provide alternative jobs.

Mr Diederich revealed that the hunting parks used by leading members of the former Honecker regime would be turned into nature reserves. The former Communist hierarchy's hunting lodges will be used as environmental information centres.

OBITUARY: JOSE NAPOLEON DUARTE

Tragic figure amid Salvadorean violence

EX-PRESIDENT Jose Napoleon Duarte of El Salvador, who died yesterday, fought his cancer with the same determination that fired his belief in his destiny to save El Salvador from chaos, writes Tim Coone.

He was a courageous if tragic figure, and his death marks the passing of an era in Salvadorean politics, an epitaph to the defeat of the centre in last year's elections.

For a generation, he was the figurehead and symbol of that political centre; for some a figure of sanity amid the violence, for others an overambitious politician who ultimately proved too weak to tame the powerful social and political forces at work in Salvadorean society.

His Christian Democrat Party was defeated heavily at the polls in March last year, yielding to the resurgent political weight of both right and left. Backed by the US he sought to carry out reforms under an umbrella of military strength and so undermine and eventually defeat the left-wing FMLN guerrillas. But last November's guerrilla offensive and the recent re-emergence of the right-wing death squads showed little had changed over the past decade.

A civil engineer by profession, the late President entered the political arena by helping to found the Christian Democrat Party in 1961. He was elected mayor of the capital San Salvador in 1964, a post he held for three successive terms. A charismatic and populist figure, his administration built new markets, sewage systems and schools, organised rubbish collection and introduced street lighting.

He was robbed of victory in the 1972 presidential elections through a fraud organised by a paranoiac right, seeing communism behind every one of his reforms. Linked to a subsequent coup attempt by reformist military officers, he was then imprisoned after having his face beaten with rifle butts and the tips of three figures cut off. He was later exiled.

However, against a backdrop of impending civil war, Mr Duarte was invited to become president in 1980. Propped up with ever-growing amounts of US military and economic aid, his administrations walked the thin line between the powers of the right and left, a delicate and impossible balancing act which brought him as many enemies as admirers. His kissing of the US flag on one occasion whilst a public recognition of the key role played by the US government in supporting this policy, also earned him the revulsion of many and the label of being a US puppet. Nevertheless, he always believed himself to be his own man.

Economic reformers groping in the dark

Romania is struggling to discover the true state of its economy, writes Judy Dempsey

ROMANIA'S Finance Ministry is painfully trying to build up a picture of the economy two months after the overthrow of the Ceausescu regime in order to plan much needed investments, arrange loans and introduce price reforms.

The difficulty of pushing through reforms is compounded by the fact that the ruling National Front does not want to take any unpopular measures before the elections, due on May 20. Equally problematic is the fact that the Finance Ministry lacks the most basic economic data, an obstacle that will be only too evident to officials from the International Monetary Fund currently visiting Romania.

"Even the enterprise balance sheets for 1989 have not yet been assessed," said Mr Theodor Stolojan, deputy finance minister, adding that production figures were often falsified. Despite the problems, he stressed that "we have no right to stop the process of improving the financial mechanism, which means moving towards decentralisation and granting autonomy to the enterprises."

The first step in this direction involves budget reform.

Under the Ceausescu regime, the budget was split artificially between public finance and expenditure on the one hand, and financing of state enterprises on the other.

At the moment, the state budget has a surplus of about 60bn lei (£1.7bn). Mr Stolojan said the surplus was used in the past to make credits to banks financing loss-making enterprises.

"Because these enterprises could not be closed down, banks borrowed the surplus not to finance the enterprises' deficit but instead to finance their raw materials. We actually think that if we put all the state budget expenditure, the enterprise deficits and all the uncovered [raw material] expenses together, the budget surplus will probably not be sufficient." Mr Stolojan reckons the ministry will have a clearer picture of the extent of this financial disequilibrium by the middle of next month.

The subsequent step – planning future investments – is more difficult. Again, because of lack of information, the ministry has little idea about the current level of investments in the enterprises.

Many investments were either reduced or put on hold under Ceausescu because of his obsession with repaying hard currency debts at break-neck speed, at the expense of the population. The Government's priority is to provide consumer goods, even though this means buying imports. The Finance Ministry begs to differ.

Mr Stolojan says that excess production capacity cannot be converted overnight into consumer goods. "Nor do we have the foreign reserves (estimated at $1bn). Of course we need credits, but not for consumer goods. We need them for technology in order to create foreign exchange," he says.

So far, the ministry has not borrowed any money from the West to finance technological development. It is unsure what sectors should be earmarked for investments. Instead, it has concentrated on buying fodder for poultry, cows and pigs to increase food supplies.

But the ministry has introduced three measures to build up domestic food stocks and increase the flow of consumer goods:

■ Prices paid by the state to agricultural producers were raised from January 1, but subsidies to consumer have continued.

■ There has been a complete liberalisation of the so-called free market for farm produce, in which producers could not sell above a certain price under the old regime.

■ To soak up Romanian savings, which total 200bn lei, the Government is selling off parts of the state housing sector to its tenants. It is also making available credit to those who want to buy household goods.

These credits, says Mr Stolojan, are financed from bank savings and from what remains of the budget surplus.

Mr Stolojan admits that these are short-term solutions to making the difficult transition from a highly centralised economy to a more market-oriented one. He also realises that the finance ministry cannot implement any long-term programme until after the elections. Even if it wanted to, it simply has not got at its disposal a true picture of the state of the economy.

"That is what we are telling the IMF," one economist said. "Without the most basic data, we cannot make any long term investment/borrowing decisions until the autumn. By that time, we will have a new government and perhaps some stability."

Mexico wins concession on textiles

By Richard Johns in Mexico City

MEXICO has successfully negotiated a significant expansion in its access to the US textiles market with no fewer than 52 categories – of the 108 currently subject to restrictions – being liberalised.

Under the agreement, announced by the Ministry of Commerce and Industry (Secofi), quotas for seven other products have been increased by 45 per cent. The total number of categories is 120.

The deal, valid until the end of 1991, follows a plea by President Carlos Salinas Gortari during his US visit last year.

The agreement could provide a stimulus to Mexico's textiles industry, badly hit by the fall in domestic demand during the 1982-88 economic stagnation. But in the recent past it has not fulfilled all its quotas.

Mr Miguel Angel del Toro, director-general of international commercial negotiations at Secofi, described the agreement as an "advance" but not a substitute for a free market and for elimination of the Multifibres Agreement.

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US defence chief puts pressure on Japan over trade

By Robert Thomson in Tokyo

JAPAN FACED trade pressure on a new front yesterday, as Mr Dick Cheney, the US Defence Secretary, warned that failure to cut Japan's $49bn bilateral trade surplus could trigger a broader decline in relations between the two countries.

Mr Cheney's comments in Tokyo coincided with the final day of the third round of Structural Impediment Initiative (SII) talks. These are intended to bring bilateral trade more into balance but have yet to produce Japanese proposals to satisfy US demands for fundamental policy changes.

After the talks, Mr Linn Williams, deputy US Trade Representative, said the "personal chemistry was good," but "what we heard was not enough to be effective, lasting or credible." The US has sought changes in Japan's distribution system, land use, corporate groupings and price system, and more spending on public works.

In an earlier speech expected to deal only with defence-related issues, Mr Cheney said: "I cannot over-emphasise the value" of SII. "The growing friction between our countries on trade issues and continued trade imbalance may, if unchecked, spill over to other issues of mutual interest and concern."

He also made clear that the US wants access to Japan's defence-related technologies as "Japan and other allies have long benefited from the technology flow from the US."

US negotiators at the SII round had hoped significant proposals would come after the Japanese election, but Mr Williams said Japanese statements were "predominantly a defence of the *status quo* with a prospect of only minimal further action."

An SII interim report is due in early April and another large-scale meeting will be held in the meantime, but US officials made clear that expectations in Washington and Tokyo differed greatly and that the ruling Liberal Democratic Party must take a more active interest in the talks.

A senior official at the Ministry of International Trade and Industry observed that it was "rare" and "surprising" for a US Defence Secretary to make public comments on the trade dispute but the comments reflected an "increasing interdependence between the US and Japan."

The Miti official said differences at the SII talks were to be expected because "we exchanged many ideas." He said the US "has called these differences disappointing, but we call these differences something on which to build a result in the near future."

Asked about consequences of an inadequate Japanese response, a senior US Treasury official warned that the executive in Washington might lose some control over the trade issue and a US Congress "with different ideas in mind might exercise control." Congress has a reputation in Japan for hostile attitudes on trade and investment.

Beirut Shia cleric calls for release of Western hostages

HOPES for the 17 Western hostages in Lebanon rose yesterday when a leading Lebanese Shia Moslem cleric issued an unequivocal plea for their release, *writes Andrew Gowers in London.*

In a Friday prayer sermon in Beirut, Sheikh Mohammad Hussein Fadlallah, who is regarded as exerting strong influence over the kidnappers, said: "We have to find practical and humanitarian means to free the kidnapped foreigners because this issue has been exploited a lot by Western powers in order to disfigure the image of Islam and Moslems."

It was by far the most explicit appeal for the Westerners' release from Sheikh Fadlallah, who has close links with the Hizbollah (Party of God), the umbrella organisation for the Shia Moslem militants who are holding the hostages. The plea, which was couched in almost identical terms to one issued in Iran on Thursday, points to a fresh initiative on the hostage issue by the Iranian Government. Significantly, it follows a visit by Sheikh Fadlallah to Tehran earlier this month.

On Thursday, the authoritative Tehran Times newspaper, which reflects the views of the Iranian Foreign Ministry and to some extent of President Ali Akbar Hashemi Rafsanjani, said the hostages could be freed this year. "Regardless of the West's propaganda ploys, Moslem forces, out of Islamic and humanitarian considerations, should work to get the hostages free with no preconditions," the editorial added.

Western diplomats have been encouraged by the latest statements from Iran and Lebanon, but remain cautious about the prospects for the hostages' release.

Doubts persist about the extent of Iranian influence over the kidnappers, and the question is further complicated by the continuing divisions within the Iranian Government over relations with the West. President Rafsanjani, anxious to find a way out of Iran's international isolation and revive the country's moribund economy, promised to help with the hostage issue last August after Israel inflamed tensions by kidnapping a Shia cleric from southern Lebanon.

The US, eight of whose nationals are believed to be held by Lebanese kidnappers, has since been pursuing secret talks through intermediaries with Iran to secure their release.

However, Sheikh Fadlallah's remarks are bound to step up the pressure. The Sheikh suggested that the hostages' release should form part of a general reappraisal of strategy on the part of Shia Moslem activists in Lebanon. "We want a solution to close this file so that the Islamic jihad (holy war) can proceed with new methods and new mentality," he said.

Apart from the eight Americans held in Lebanon – one of whom, the journalist Terry Anderson has been in captivity for nearly five years – the hostages also include four Britons, among them the Church of England envoy Terry Waite, who was seized in January 1987.

Ballot puts end to era of the bullet

Whoever wins tomorrow, the election marks the end of Nicaragua's eight-year bitter civil war, writes Tim Coone

WHEN the dust settles after Nicaragua's general elections tomorrow, the political horizon in Central America should begin to take on a calmer, less violent hue.

Whoever is elected president – incumbent President Daniel Ortega of the Sandinista party, or Mrs Violeta Barrios de Chamorro of the US-backed opposition alliance UNO – the chances are that the eight-year war in Nicaragua is drawing to a close. Peace in Nicaragua should help end the civil war in El Salvador and could resolve the smouldering conflict in Guatemala.

Both candidates this week pledged that they would respect the voters' decision. Such undertakings, at the end of a long and bitterly-fought campaign, are most significant. They mean that Nicaragua's leading politicians have finally agreed on the ground rules for resolving their differences without resorting to guns.

The 1984 elections, which the Sandinistas won with 67 per cent of the vote, led to a deepening of Nicaragua's conflict. The right wing abstained in those elections, leaving them deprived of any formal representation, in particular in the National Assembly. The US stepped up its support for the Contras, the war intensified and right-wing politicians polarised towards the Contras.

Six years later, following a series of pragmatic political and economic reforms by the Sandinistas and the guarantee of free elections watched by thousands of international observers, the right wing has now allied itself with parties from centre and left in an effort to oust the Sandinistas by the ballot instead of the bullet. Many Contras have returned from exile to contest the elections. If they still fail, they will none the less make important political gains such as winning a significant number of seats in the National Assembly and taking control of several important municipalities. UNO has eloquent and highly capable politicians within its ranks such as Mr Alfredo Cesar (its leading candidate for the National Assembly and ex-contra leader) and Mr Agustin Jarquin, (standing for a seat on the capital's municipal council) who will be strong candidates for the 1996 race.

Should UNO win tomorrow, President Ortega's public undertaking on Thursday "to respect the will of the people", together with conciliatory statements in the past week by prominent members of the opposition and business community, suggest that for the first time since the 1979 revolution there is a real possibility of reconciliation between right and left. However, an opposition win would lead to a huge shake-up in the state apparatus which has been moulded by the Sandinistas over 11 years and is staffed by their supporters.

Mr Cesar said earlier this week, that these elections offer a choice between two systems – one outmoded, centrally-planned and modelled on Eastern Europe and Cuba, the other a modern western-style democracy.

President Ortega denies that the Sandinistas have attempted to copy other socialist models in its 11 years in power. "We incorporated 'perestroika' into our thinking before 1979," he said during the close of the Sandinista's campaign this week. Multi-party elections took place in Nicaragua five years before those in Poland, Sandinista leaders point out.

Mrs Chamorro and President Ortega: both pledged to respect the election outcome

Whoever wins, Nicaragua's new president is faced with the daunting task of rebuilding an economy shattered by the war. Both the Sandinistas and UNO recognise the need for peace and for Nicaraguan society to work together if the country's economic decline is to be halted. Who is best able to do that, is the key issue in the minds of most Nicaraguan voters in the final hours before polling stations open. According to the opinion polls, the electorate is likely to choose the incumbent President. But as a guarantee of opposition influence in the government, they may well choose to face him with an opposition majority in the National Assembly.

For Nicaragua, the 1990 elections are likely to go down in history as the end of an era of war, and the dawn of a new era of peace.

Anglo chief to visit Mandela in Soweto

MR Gavin Relly, head of Anglo American, South Africa's largest mining and industrial conglomerate is to meet Mr Nelson Mandela, leader of the African National Congress, Reuter reports from Johannesburg.

Newspaper reports said the meeting would take place in Mr Mandela's Soweto home.

Mr Mandela has provoked sharp falls on local financial markets by restating the ANC's commitment to nationalise key sectors of the economy, including the gold, platinum and coal mines at the core of Anglo American's widely diversified business.

"Apartheid has created a heinous exploitation in which a racist minority monopolises economic wealth while the vast majority of oppressed black people are condemned to poverty," Mr Mandela said. Mr Relly said he had been convinced the ANC's position was that they would do better by private enterprise rather than by putting everything in a state pot.

Mongolia seeks western aid

Dumaagiyn Sodnom, prime minister of Mongolia, arrives in Japan next Tuesday seeking aid and investment, Reuter reports from Tokyo. Mongolia is eager to broaden contacts with the west, particularly Japan, which can offer technology in exchange for Mongolian raw materials.

Mr Sodnom will meet Emperor Akihito and Mr Toshiki Kaifu, the prime minister, during his six day visit, and sign a trade agreement giving his country most-favoured-nation treatment.

Minister's funeral ends in violence

The funeral of Mr Robert Ouko, the Kenyan Foreign Minister, ended in violence yesterday as thousands of students clashed with riot police in Nairobi, Nicholas Woodsworth reports from Nairobi.

The capital had been tense for three days and demonstrations had been banned after the mysterious death of Mr Ouko, whose partially incinerated body was found outside his home a week ago.

US to cut Far East forces by 10 per cent

Mr Dick Cheney, the US Defence Secretary, confirmed American plans to cut its forces in Asia and the Pacific by 10 per cent, but promised US allies Washington would not create a power vacuum by withdrawing from the region, Reuter reports from Tokyo.

Mr Cheney said 120,000 US troops as well as warships and aircraft were a bulwark of stability in the financially-booming region.

"It is important to stress that we are not talking about a first step toward withdrawal," he told the Japan National Press Club, reassuring Pacific Rim allies who fear the American military umbrella might be folded up and shipped home.

"If we were to withdraw our forward-deployed forces from the Asia-Pacific region, a vacuum would quickly develop. There almost surely would be a series of destabilising regional arms races, an increase in regional tensions and possibly conflict," he said.

Mr Cheney said he had discussed a modest removal of US troops in the region during talks with leaders in South Korea, the Philippines and Japan.

"It is of the order of approximately 10 per cent scattered across the region... the time frame we are talking about is three years," he said.

He declined to give a breakdown of where withdrawals might occur, saying that decision had not been made yet. The US maintains 43,500 troops in South Korea, more than 50,000 on Japan and Okinawa and nearly 18,000 in the Philippines.

Mr Cheney stressed that the Soviet Union was not the only reason for a balancing US presence in the region.

In addition to a modern Soviet military in Asia, he said, the Bush administration saw potential for internal unrest and regional conflict involving a number of Asian countries.

"North Korea, Burma, Vietnam, Cambodia, China and perhaps others may well undergo significant internal changes... It's an open question as to how those changes will affect regional stability," he said.

Opposition party spurns Menem's coalition offer

By Gary Mead in Buenos Aires

PRESIDENT Carlos Menem's hopes of bringing the opposition Radical Party into the Argentine government to combat hyper-inflation have been dashed.

Mr Eduardo Angeloz, governor of Cordoba province and the Radical presidential candidate last year, has declined an invitation to join the Peronist cabinet ending a week of intense speculation over the prospect of some form of coalition.

In his letter of refusal, Mr Angeloz said: "I think this is not the most opportune moment to continue encouraging society's hopes of a saviour." Nevertheless, Mr Angeloz expressed hopes that all political parties could be brought together to face the current crisis.

Accusations have already been made that, by his rejection, Mr Angeloz has placed short-term political benefits ahead of longer-term possibilities of stabilising the country. At the same time, President Menem's economic policies are scarcely distinguishable from those proposed last year by Mr Angeloz. Those policies are facing increasing opposition from both the Radicals and from within his Peronist Party.

Mr Menem defeated Mr Angeloz in last May's presidential election, forcing the Radical Party out of office after almost six years of government. During the pre-election campaign both fought an often bitter personal contest; Mr Angeloz at one point described his opponent as a "near fascist", while Mr Menem described Cordoba province as "the worst administered in Argentina."

Arianespace suspends launches after explosion

By George Graham in Paris

ARIANESPACE, the European space launcher joint venture, has put its future flights on hold after its latest rocket blew up early yesterday.

The Ariane 4 rocket exploded, with two Japanese satellites on board, 1 minute and 40 seconds after lift-off from Kourou, French Guyana.

The explosion is the fifth failure in Ariane's 10-year existence, and the first for the new enlarged Ariane 4. Arianespace said the failure was due to the malfunctioning of two motors, one on the rocket's first stage and the other affecting one of its four back-up motors. The rocket broke apart under the strain of trying to compensate for these two failures.

Mr Frédéric d'Allest, Arianespace chairman, said that flights would probably be suspended for several months. A commission of enquiry is due to be formed next week, but is expected to take two months to report.

Ariane has put 25 satellites into orbit in a run of 17 successful launches. It now leads the satellite launcher market with an order book for 32 launches worth around FFr13.5bn, perhaps half the world market.

The loss of one of the two Japanese satellites on board – the Superbird B telecommunications satellite belonging to Mitsubishi affiliate Space Communications Corporation will delay its plans to expand Japan-wide satellite news gathering services to television stations by as much as three years. The other satellite was a back-up for state television NHK's satellite channels.

UK NEWS

Former Johnson Matthey chief will head Ferranti

By Michael Skapinker

MR Eugene Anderson, former chief executive of Johnson Matthey, yesterday took charge of Ferranti International, the troubled UK electronics group.

His appointment as chairman and chief executive came on the same day that Ferranti announced the long-awaited resignation of Sir Derek Alun-Jones as executive chairman. Sir Derek told the Ferranti board he was ready to resign shortly after the discovery of an alleged £215m fraud involving ISC Technologies, Ferranti's US subsidiary.

Texas-born Mr Anderson said yesterday he would receive a basic salary of £275,000, along with options on 9.35m Ferranti shares at an average price of 36.8p a share, exercisable in three years' time. Ferranti's shares closed yesterday at 40p.

Mr Anderson, 51, said he agreed to head Ferranti at the end of January, although he signed his contract only at 11am yesterday.

Few incoming chairmen have the opportunity to face their shareholders as quickly as he will: on Monday, he will attend a Ferranti extraordinary general meeting to approve the company's £310m

Eugene Anderson: to look at businesses' performance

sale of its radar business to General Electric Company of the UK.

Mr Anderson said his first task would be "to develop an understandable strategy for the company. That's going to be number one. That means going out and understanding the businesses. The second is to look at the performances of the various businesses and try to improve them.

"Any dispassionate observer would see that you need to enhance the performance of the company over the next year or two, even forgetting the ISC problems. If you look at the profits over the last five years, they have been flat and declining. In the first six months of this financial year the company lost £15m."

Mr Anderson, who was initially approached last December by headhunters Spencer Stuart, said there were two things which attracted him to the position. One was that "in its present and former form, if you run an eye over the technology that Ferranti covers, it's quite fascinating."

The other attraction was that he enjoyed turning troubled companies around. The Bank of England asked him to take over Johnson Matthey in 1985 after the collapse of its banking arm. He resigned from that firm last December.

Even before his spell at Johnson Matthey, Mr Anderson, a Harvard Business School graduate, was no stranger to British corporate life. He first came to the UK in 1966 as managing director of a Scunthorpe-based company, Globe Petroleum Sales. Since then he has held various positions on both sides of the Atlantic.

THE GUINNESS TRIAL

Roux says he lied as part of 'cover-up'

By Raymond Hughes, Law Courts Correspondent

AT THE Guinness trial yesterday Mr Olivier Roux admitted that he had lied to Department of Trade and Industry (DTI) inspectors investigating the Guinness takeover of the Distillers drinks group.

Under cross-examination at Southwark Crown Court, Mr Roux agreed that the lies had been part of a "cover-up" to conceal the truth about payments made by Guinness to two companies linked with Mr Ephraim Margulies, chairman of Berisford International.

Mr Roux is a key prosecution witness in the trial of Mr Ernest Saunders, former Guinness chief executive, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the financier.

They have pleaded not guilty to charges relating to an alleged unlawful share-support operation mounted by Guinness.

Mr Roux was cross-examined by Mr Richard Ferguson QC, for Mr Saunders, about payments to two companies associated with Mr Margulies: £1.49m to Erlanger & Co and £1.94m to Compagnie Internationale de Finance et Commerce - Cifco.

Mr Roux agreed that at the time that Mr Margulies had agreed to support the Guinness share price there had been no question of Mr Margulies expecting any reward.

Later, when Mr Margulies sold the shares at a loss, Mr Parnes had suggested to Mr Roux that Mr Margulies should be compensated, Mr Roux alleged. Mr Roux said that he had discussed with Mr Saunders what payment should be made to Mr Margulies.

Mr Roux said that after Erlanger and Cifco invoices had been given to Guinness by Mr Parnes, Mr Parnes had told him that Mr Margulies was threatening to make it look as though the Cifco payment had been made to Mr Parnes personally and that Cifco was a company related to Mr Parnes.

Mr Roux said that, because Mr Parnes was his friend, he had agreed to talk to Mr Margulies about this.

Mr Margulies had asked him to keep the relationship between Cifco and Mr Margulies and Berisford quiet. He said he agreed not to volunteer the Cifco link.

He agreed he had given Mr Margulies a "vague assurance" that he would see if Cifco could validly earn the money it had been paid – as a "quid pro quo" for Mr Margulies not pursuing the matter of Mr Parnes and Cifco.

Mr Ferguson: "So what was now being suggested was that the payment should be described as something else, that there should be a cover-up?"

Mr Roux: "Yes. If indeed I had allowed this to go through to its conclusion it would have been a cover-up."

He said there had then been discussions with an associate of Mr Margulies about Cifco sending backdated letters to Guinness to make it appear that Cifco had been paid for commercial services.

Mr Ferguson: "So we now have not only a cover-up but the means discussed and agreed to put flesh on the bones of the cover-up?"

Mr Roux: "Yes."

He agreed that he had not mentioned the backdated letters when, on legal advice, he had written in January 1987

Olivier Roux

to Sir David Napley, Guinness's new solicitor, about events during the takeover.

He had, he said, been in "a real quandary" about what his duty was to Mr Parnes.

Mr Ferguson asked whether his duty to Mr Parnes had taken precedence over his duty to make a full disclosure to the DTI inspectors.

Mr Roux replied: "When my first interview took place, I understood that this interview with inspectors was under oath and there was no question in my mind that I would have to answer that question."

Mr Ferguson referred to the transcript of Mr Roux's first interview with the DTI inspectors on January 9 1987, at which Mr Roux had told the inspectors that Cifco was a company which had been known to him before the Distillers takeover.

"Was it a company which had become known to you before the Distillers takeover?" Mr Ferguson asked.

Mr Roux: "No."

Mr Ferguson: "You told a lie to the inspectors?"

Mr Roux: "At that time, yes."

Mr Ferguson: "You told a lie when you had affirmed your intention to tell the truth and you had been told by the inspector that the effect is the same as if you had sworn on the Bible?" Mr Roux: "Yes."

He agreed with Mr Ferguson that other evidence he had given to the inspectors at that interview had been "complete and utter lies."

Mr Ferguson: "Part of the cover-up, correct ?"

Mr Roux: "Correct."

Mr Ferguson suggested that Mr Roux would have continued lying to the inspectors if Mr Parnes had not come to ask him to tell the truth.

Mr Roux said Mr Parnes visit had been "an enormous relief," but he would have decidedto tell the truth anyway.

He said that Mr Parnes had told him "he wanted me to be released from any obligation I felt to him."

Mr Ferguson: "That you should not continue lying? He came to tell you he was telling the truth to the inspectors and that you should do the same?"

Mr Roux: "He came to tell me I should feel I should have no obligation to him."

Mr Ferguson: "The result was that you then told the truth?" Mr Roux: "That was the result."

He also admitted having lied about the Erlanger payment.

Mr Ferguson suggested that the position at the end of Mr Roux's first interview with the inspectors had been that he had still been "sticking to the cover-up story."

Mr Roux agreed.

Mr Ferguson: "You were saving your own skin ?"

Mr Roux: "No."

The trial continues on Monday.

Subsidise Channel tunnel rail link, urges EC body

By Kevin Brown, Transport Correspondent

AN influential European Community advisory body is to press for government funds to help finance the proposed high-speed rail link between London and the Channel tunnel.

Mr Larry Smith, president of the transport and communications section of the Economic and Social Committee, said the tunnel was in danger of becoming a "white elephant" because of uncertainty about the link.

The committee, which advises the European Parliament and the Council of Ministers, is composed of businessmen, trade union representatives and community representatives.

The committee's views will increase pressure on the British Government to provide funds or financial guarantees.

The future of the link has been in doubt since November, when British Rail withdrew a bill seeking authority for the line because of a funding shortfall of more than £1bn.

A joint venture company formed by BR with Trafalgar House and BICC is investigating alternative routes and is expected to announce revised proposals in the summer.

The Government has insisted that no taxpayers' money will be provided, in spite of demands from residents in Kent and south London for expensive environmental protection measures.

Mr Smith, speaking after a visit to the tunnel, said: "It seems to us a little ridiculous to spend all this money building the tunnel and have high-speed rail links on the other side and nothing on this side."

SA tourist promotion ban is lifted

By Ralph Atkins

THE Government yesterday shrugged of accusations that it was acting out of step with other European Community countries and formally lifted Britain's voluntary ban on new investment and the promotion of tourism in South Africa.

Statements from the Departments of Employment and Trade and Industry said President de Klerk had taken steps which "transformed the political climate" in South Africa. "This deserves a constructive response from the international community."

Mrs Margaret Thatcher dismissed criticism that she was isolated from European colleagues. At a press conference after talks with the Italian Prime Minister she said: "It is pretty cosy isolation . . . judging by the numbers of foreign statesmen who are talking to us."

The two departments said it was up to companies and organisations to make their own judgments about whether to invest or promote tourism in the country. "The Government will no longer discourage them," the statements said.

Labour responded by attacking the Government's move to relax restrictions. Mr Neil Kinnock, described the announcement as "pathetically premature."

He said: "Sanctions against South Africa must be maintained until the de Klerk government has agreed to a mechanism to bring a non-racial, un-fragmented democracy to South Africa."

Mr Gordon Brown, Labour's trade spokesman, said: "This announcement leaves Britain isolated and ridiculed as the last friend of apartheid."

Challenge to shareholders

By Eric Short, Pensions Correspondent

INSTITUTIONAL shareholders have been urged by an adviser to the Bank of England to use their collective powers to ensure the effective management of British industry.

Mr Charkham, adviser to the Bank on City and corporate matters, told delegates to the annual investment conference of the National Association of Pension Funds at Eastbourne that they must be prepared, if necessary, to change the management of companies in which they invest.

He warned delegates that the traditional method of leaving matters to the market was not sufficient, and cited two ways in which shareholders effectively influenced management.

The first was to ensure that companies structured their boards to have a sufficient and effective number of non-executive directors.

Secondly, Mr Charkham urged shareholders to insist that standards be maintained and to be ready to take any necessary action – including changing the management of badly-run companies.

Declan Kelly blames Halifax for failure

By Andrew Taylor, Construction Correspondent

A LAST-MINUTE attempt to rescue Declan Kelly, the privately-owned residential developer which collapsed this week, was blocked by Halifax Building Society, Mr Declan Kelly, founder and chairman of the group, said yesterday.

It is the second time in less than 12 months that Halifax has been involved in the failure of a large developer.

The society's decision to call in a receiver at a block of apartments in London's Docklands triggered the collapse last summer of Kentish Property, an east London residential developer. Mr Kelly said yesterday that Halifax had rejected plans for a financial reconstruction of the group at a meeting of the principal lenders on Friday February 16.

He said the refinancing package prepared by Price Waterhouse, the accountancy firm, had been supported by Eagle Star, the large insurance group which has partnered Declan Kelly in several joint ventures.

At the meeting were four building societies, Halifax, Nationwide Anglia, Yorkshire and Alliance and Leicester, along with Hill Samuel. Mr Kelly said the other lenders had reacted positively to the reconstruction.

He said once Halifax had rejected the proposals, the group had no choice but to invite the society to call in a receiver at four developments which Halifax was financing.

Mr Kelly said yesterday: "The Halifax, as it has said, was fully secured on these sites. We were therefore very disappointed that they could not support the reconstruction, although it was within its rights to take the action it did."

The society said last night that it had been in talks with Declan Kelly for many months over the future of its loans.

"When the recent meetings which the Halifax attended made it clear that the group now had wider problems, and its ability to continue trading was dependent upon further finance being available, the Halifax took the view that its interest would be best protected by the appointment of receivers to its projects," Halifax said.

NEWS IN BRIEF

Judge halts opt-out by Bath school

LEGISLATION allowing schools to opt out of local authority control suffered a setback in the High Court yesterday when a judge blocked plans for a Bath comprehensive to become independent.

Mr Justice Hutchison said Mr John MacGregor, Education Secretary, had failed properly to weigh the advantages of allowing the 800-pupil Beechen Cliff boys' school to opt out against Avon County Council's plans to re-organise all secondary education in the city.

Store jobs lost

A. GOLDBERG, the department store and fashion retailer announced 300 redundancies yesterday. The group, which is based in Glasgow, has suffered under the difficult retail trading conditions.

Mr Mark Goldberg, chairman and grandson of the company's founder, said 20 of the company's 70 shops would be closed. Job losses would hit 200 shop staff and 100 employees based at head office.

Change at AWD

MR RON HANCOCK has resigned as managing director of AWD, the Dunstable-based truck maker. Mr Hancock, formerly Leyland Vehicles chairman, joined AWD in December 1987 as managing director. He will continue to act as a consultant for the company.

Aeroflot on charter

AEROFLOT, the Soviet airline, yesterday took the first tentative steps into the western charter market with the announcement of an agency agreement with Air London International.

The agreement, which gives Air London exclusive rights to market Aeroflot charter flights in the US and Ireland, is the Soviet airline's first such deal with a Western company.

The airline has also taken steps to improve its image by contracting-out catering services on flights to the West. Charters from the UK and Ireland will have English speaking cabin staff and a full bar service.

Eurocamp profits

EUROCAMP, the privately owned tour operator which sells self-drive camping holidays to continental Europe, yesterday reported pre-tax profits of £5.8m for the year ended 31 October 1989.

The company, which was bought out by its management in November 1988 from the Next group, does not give figures for the previous trading year under Next's ownership.

Mr Richard Atkinson, Eurocamp's managing director, said the company's sales of self-catering and caravan holidays had increased by a third in 1989. Mr Gordon Dunlop, former chief financial officer of British Airways, has been appointed Eurocamp's non-executive chairman.

Lloyd's members sue agents for negligence

By Patrick Cockburn

AGENTS being sued for negligence by 865 members of Lloyd's of London, the insurance market, said yesterday that the members were well aware that underwriting insurance was a risk.

The agents are being sued for introducing the members to a syndicate managed by RHM Outhwaite, which lost £304m.

Some 79 members' agents are expecting to be served with writs over the next few days alleging that they were negligent in putting their members on syndicate 317/661 in 1982 which subsequently made heavy losses through asbestos and pollution claims in the US.

Responding to the allegations yesterday, Mr John Heynes, chairman of the Outhwaite Members' Panel, said that while traders at Lloyd's hoped for a profit, losses were bound to occur. A report paid for by members' agents had criticised Outhwaite but concluded that action against it was unlikely to succeed.

Members of syndicate 317/661 have already sued RHM Outhwaite for negligence.

R-R will close Hartlepool nuclear equipment plant

By David White, Defence Correspondent

ROLLS-ROYCE yesterday announced plans to close its factory at Hartlepool, Cleveland, where it makes nuclear propulsion plants for Royal Navy submarines. About 330 people will lose their jobs.

The factory has also been involved in work for the Sizewell B power station in Suffolk. It will have no work from the beginning of next year because of a gap in the programme of orders for nuclear-powered submarines and the Government's cancellation of future pressurised water reactor (PWR) nuclear power stations.

About 50 of the 380 employees at Hartlepool are expected to move to the company's Northern Engineering Industries subsidiary at Gateshead, Tyne and Wear.

● SHORT BROTHERS, the Belfast-based aircraft company, said yesterday it did not know what caused the crash of a new Tucano trainer on Thursday in the North Channel between Northern Ireland and Scotland, leading to the death of chief test pilot Mr Allan Deacon.

Shell fined £1m for Mersey oil leak

By Ian Hamilton Fazey Northern Correspondent, David Thomas and John Hunt

SHELL UK was yesterday fined £1m at Liverpool Crown Court for polluting the Mersey with 157 tonnes of heavy Venezuelan crude oil from a corroded pipeline last August.

Mr Justice Mars-Jones said the fine – the biggest levied in the UK for a pollution incident – would have been substantially greater had the company not had a good record on conservation, on its generous support of the arts and its many contributions to "worthwhile causes."

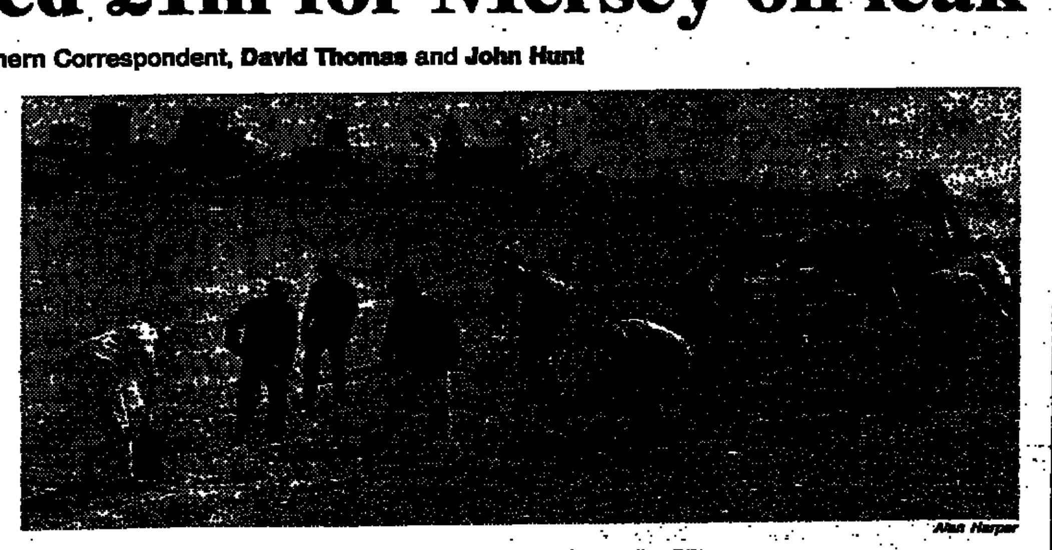
He also took into account the £1.4m the company had paid to clean up the mess and settle claims arising from the leak. He said Shell had enormous resources and could afford to pay a fine of several million pounds. The mitigating factors made a £1m fine appropriate, with costs of £6,573.

The case is the first big prosecution brought by the National Rivers Authority, the government pollution watchdog set up after water privatisation.

The court heard that corrosion went undetected because the pipeline, laid in 1973, was not designed for modern testing methods. It has since been modified at a cost of £100,000 to allow use of scanning devices to detect faults in the metal. Another previously undetected fault has since been discovered.

The judge said there was no automatic system for raising the alarm on leaks and no adequate means of finding where the leak was.

He criticised Shell's engineers for then trying to flush



Alan Harper

Workers clear up the crude oil on the west side of the Mersey

the oil out – against the advice of police, fire and environmental services officers. The judge also criticised their failure to notify the National Rivers Authority, which heard of incident from the local fire brigade three hours after the fracture occurred.

Extensive pollution occurred with loss of birdlife and danger to industrial users of the water such as the Fiddlers Ferry power station. Winds and tides had prevented worse damage.

The judge added: "I cannot accept that this pollution was not the result of human error. I am satisfied, I regret to say, that the defendants did not discharge the high duty of care that they owed to the community."

The Department of the Environment said yesterday it was considering strengthening official powers to prevent oil pollution. The National Rivers Authority may be given powers to enter premises and order companies to tighten up procedures before an oil pollution incident occurs. The authority can act at present only after incidents have occurred.

Dr Chris Harpley, the authority's director in the north-west, warned yesterday that other spills could occur from corroded pipelines.

"I am most concerned that such a spillage could happen again. There are hundreds of miles of similar pipelines throughout the country that need to be looked at urgently to prevent similar occurrences elsewhere," Dr Harpley said.

Dr Harpley echoed the judge in criticising Shell's reaction immediately after the spill: "I do not believe that Shell behaved in the best interests of the environment in flushing out the oil contained in the pipeline with water."

The NRA, as well as environmental groups such as Friends of the Earth and Greenpeace, welcomed the £1m fine as a deterrent to other companies. Sir Hugh Rossi, the Conservative chairman of the Commons Environment Committee, said his committee had criticised the courts for not giving due weight to such anti-social activities.

Shell refused to comment on any aspect of how it intended to respond to the incident other than to say it was regrettable. The company said it was waiting for a report from the Department of Energy's pipelines inspectorate to be published.

End of North Sea dumping set for 1992

By John Hunt, Environment Correspondent

BRITAIN is aiming to stop the dumping of industrial waste in the North Sea by the end of 1992, although two dumping licences may have to be continued into 1993 Mr John Gummer, the Agriculture Minister has announced.

"I am extremely pleased that we have now been able to set a firm timetable for ending all these disposals at sea," he said in a Commons answer.

The move is intended to strengthen the Government's hand at the North Sea Conference in The Hague in two weeks time when Britain is expected to be criticised as the only country still dumping industrial waste in the North Sea.

In spite of Mr Gummer's announcement the UK could still be criticised over the possibility that dumping licences for Sterling Organics and ICI might be extended.

Mr Gummer said that in their case it might not be possible to meet the deadline. If it was absolutely necessary on technical grounds their licences would be extended for the "shortest possible part" of 1993.

ICI accounts for more than half the total volume of liquid waste dumped in the North Sea. It is licensed to dump 165,000 tonnes a year of methyl methacrylate, a substance used in Perspex in cars, from a plant at Billingham, Teeside, but is building a plant to recycle this material on land.

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BNFL blames honesty for public relations blow

By Ian Hamilton Fazey

IT HAS been a bad week for the management at British Nuclear Fuels. First came the body blow, then the shot in the foot. Too much honesty is now being blamed for the unfolding public relations disaster.

"Roger's an honest guy who was trying to explain things as fully as he could. He didn't intend to say that he was advising people not to get pregnant," said Mr Harold Bolter, director of corporate affairs and company secretary.

"What he meant was if he saw a man in a really emotional state, his advice might well be to take your time, don't go ahead at the moment, wait till there's more evidence. No such case has even arisen. Unfortunately, it did not come like that."

Roger is Dr Roger Berry, director of health and safety and, before he joined BNFL 2½ years ago, was known as an authority on cancer. It was his cool television performances explaining the risks from the Chernobyl disaster which prompted BNFL to headhunt him. He made his controversial statement when BNFL was trying to ride the blow from Professor Martin Gardner of the Medical Research Council, whose research suggests that some workers at BNFL may have passed on leukaemia to their children as a result of genetic damage from radiation at Sellafield, the company's nuclear fuel reprocessing plant in Cumbria.

Counselling is available to worried workers thinking of having children. The official line is that the company will give honest information so that employees can make up their own minds. But Dr Berry's remarks have unintentionally deepened an already developing crisis of confidence in the nuclear industry.

The last time BNFL was similarly beleaguered was in 1986, when a series of minor leaks and accidents, shutdowns and continuing attacks from the green lobby forced it to officially adopt openness as the best policy.

Coincidentally, Mr Christopher Harding arrived as chairman from Hanson. He brought in an open-door policy at Sellafield itself, introducing tours of the plant and building its highly successful visitor centre.

According to surveys, thousands of visitors left reassured and the PR battle looked well on its way to being won – until a week ago when opponents seized on Prof Gardner's research report and Dr Berry was a little too helpful in answering questions at a press conference.

BNFL's management has developed a persuasive PR machine and would normally have had all its answers ready. This time it did not. Not only did it have short notice of the report, it was caught off guard.

That was because the report suggested that external radiation, absorbed through the body, might be the mechanism for genetic damage. BNFL thought this impossible because it should have shown up before and among other people exposed to radiation in the nuclear and other industries.

It took a bewildered BNFL management a few days to regroup and it now appears to have done so. There has been a large-scale internal communications exercise at Sellafield which the management hopes has succeeded.

Meanwhile the Gardner report is now being critically evaluated. Mr Bolter says: "I am not saying the report is a nonsense. There may be an association with something at Sellafield and that needs further study. But we are not sure about external radiation and whether that is where there is cause and effect. There has got to be more work."

What is puzzling Dr Berry is that if Prof Gardner is correct, more cases of leukaemia among children of Sellafield workers might have been expected. There have been only 10 among more than 3,000 children born to fathers who were supposedly at risk over the past 35 years.

BNFL spends £5m a year at present on health and safety research. The results of some other studies are due in the next few months and Dr Berry and his colleagues clearly hope that these will challenge Prof Gardner's hypothesis.

Meanwhile, exposure levels at Sellafield are being reduced for most workers to below the level Prof Gardner says may trigger the suggested mechanism. However, since it will take 10 years to eliminate some of Sellafield's more radioactive operations, some workers will continue to be exposed to higher doses. BNFL has the numbers down from 835 in 1986 to 285 last year and says progress is continuing.

Whether it needs to accelerate this progress depends on the final verdict on Prof Gardner's hypothesis. The resurgent PR machine has much hard work to do yet.

TIGHTER curbs on radiation exposure may be imposed by the Health and Safety Executive following Professor Martin Gardner's study linking the incidence of leukaemia in children to workers at the Sellafield nuclear plant.

The HSE yesterday set out the preliminary action it would take following Prof Gardner's report, including reductions in radiation exposure. Its Nuclear Installations Inspectorate would examine areas of work at BNFL specially at risk from larger radiation doses.

British Nuclear Fuels said it would ask local unions to co-operate in finding ways of further cutting radiation exposure. It also confirmed that following the Gardner report it would carry out its own study.

Union leaders demanded tighter measures to combat radiation yesterday when they met BNFL management.

The team behind the cancer controversy

By David Fishlock, Science Editor

THERE are no microscopes or mice at Britain's most famous research centre, the Medical Research Council's Environmental Epidemiology Unit at Southampton University, which was responsible for the research linking Sellafield to leukaemia in children.

The modest establishment – it spends only about £1m a year – works just with figures, bringing together doctors and statisticians to study the consequences of an environment contaminated by chemicals and radiation.

"Leukaemia was thought to be an environmental problem. Now it's become an occupational problem," says Professor David Barker, unit director.

What has changed the perception is a four-year study of the so-called "leukaemia cluster" discovered near British Nuclear Fuels' Sellafield plant in Cumbria.

In charge of the study was Professor Martin Gardner, 49, deputy director of the unit and a mathematician specialising in the radiation environment. He is also Professor of Medical Statistics at the university.

Prof Gardner's finding of an association between leukaemia in local children and exposure of their fathers to radiation comes in spite of his failure to find any link between Sellafield's radiation discharges and leukaemia.

However, the study is not in doubt. Dr Adam Lawson, BNFL's chief medical officer, has called it "a superb and first-class academic paper."

Dr Valerie Beral, who directs the Imperial Cancer Research Fund's own Epidemiology Unit in Oxford, calls his findings "remarkable not because they offer little support for environmental contamination by radioactive discharges being the cause of childhood leukaemia, but because they point to possible alternatives."

The only other relevant human data available involve the 7,400 children of Japanese men who survived the two atomic bombs at the end of the Second World War, who were known to have received much more radiation than the men at Sellafield. To quote Dr Beral, their children "show no hint of an increased risk of leukaemia."


Professor Gardner: in charge of the cancer study

What happens next? Dr Rees believes his scientists must now try to demonstrate the biology of how irradiation of one generation could pass on to the next. Cash is not the problem. The nuclear industry is keen to sponsor more research, he says, and he would not hesitate to accept its money. But he wants the study planned by the UK Cancer Co-ordinating Committee, embracing his council and the cancer research charities.

Dr John Stather, head of the biomedical effects department of the National Radiological Protection Board (NRPB), says that as public watchdog on exposure to radiation, the NRPB has its own idea what should be the next statistical step. It wants the Department of Health, to which it reports, to fund a £100,000 trawl of its National Register of Radiation Workers, embracing records of 105,000 people who have worked with radiation in UK industrial, medical and research environments since 1946.

Of these, nearly 10,000 received doses of the order implicated in the Gardner connection.

Its idea is to bring together the statistics of this register with national data on childhood cancer - "two really quite complicated data bases." But "I don't think radiation poses a major challenge to health in the 1990s," says Prof Barker.

Further studies Prof Gardner hopes to do this year include the examination of leukaemias reported since 1985, other kinds of cancer, and cancers in West Cumbrian people born outside the area.

Sellafield shows visitors an 'exciting form of energy'

Jimmy Burns looks beyond the tourist videos and finds worries among those who live near the plant

TOURISTS who were mainly parents and children were turning up as usual yesterday at the Sellafield visitors' centre to learn about the nuclear industry and to hear what *really* goes on just 50 yards down the road at the plant.

British Nuclear Fuels' official exhibition has remained virtually unchanged since it opened in June 1988. "We're going to show you here . . . the atom, the most fundamental form of energy from nature's powerhouse . . . one of the most exciting forms of energy," says the introductory video.

In an adjoining room more videos and charts are devoted to the subject of safety. The nuclear industry's contribution to humanity has been to "revolutionise medical treatment" according to information provided for the 160,000 people who visit the site each year.

It goes on to assert that a person is likely to be exposed to more radioactivity at home or on an aircraft than when working in a nuclear power plant. It says the Chernobyl nuclear accident in the Soviet Union arose from mismanagement and outdated plant. It contrasted them with the high standards at Sellafield.

This is part of the public relations exercise devoted to assuring the public that Sellafield is safe.

In a lengthy video, workers affirm total satisfaction with their employment and the health of their families.

Just a couple of miles down the coast Sheila Doherty can see the great cooling towers of Sellafield from her kitchen window. They belch clouds of grey smoke into the Cumbrian sky.

Two years ago the man she lives with was transferred from a restricted area of the plant after his exposure level to radioactivity had been found to be above the limit that was regarded as safe even when greater risks were taken.

Ms Doherty, who works in a local bar serving BNFL workers, has no wish for the company to alter its message of reassurance.

"We depend on Sellafield round here: if we didn't have that plant what else would we do?" She insists that most of her friends have brought up children and "none of them have problems with leukaemia."

Mr Joe Haines, another resident, said: "All you journalists want to do is give us bad publicity. Why don't you write about the salmon and the trout that we have here."

However, after the events of the last week, the local community is neither as united nor as convinced as it used to be.

One 27-year-old who followed his father into the Sellafield complex where he works as a joiner would identify himself only as "Davey." He has a wife who works in the plant's laundry handling clothes worn by the workers.

His father, now retired, dismisses any talk of danger as media exaggeration and points to his own four healthy children. Yet "Davey" is worried now that his wife is 22 weeks pregnant.

"I've always loved kids and wanted to father one of my own. But what's a young lad like myself meant to say when he's told that if he's worried about having a family he shouldn't have one? We're not going to give up the baby. But I can tell you something: I'll sue BNFL if my kid ever gets leukaemia."

According to Nigel Reay, a local official of the IPMS union, the confusion and concern generated by statements and counter-statements in the last week may prompt more staff to consider legal action.

Mr Reay emphasised though that his priority as a union official was not to seek compensation but to work with the company to ensure improved safety standards. He believes the company now has little option but to enforce changes to safer working practices.

Mr Reay wants drastic reductions in the radioactivity exposure levels permitted and would like company safety records to be made more freely available.

It is difficult to find anyone in or around Sellafield who says that the plant should close. However, as one of the exhibition guides admitted yesterday, Sellafield's impregnable culture may soon have to undergo some changes. "We're opening a new room in March," she said portentously.


The Sellafield nuclear plant dominates the local employment market as well as the skyline

Swaps market still under a cloud

Deborah Hargreaves on the meaning of the Appeal Court ruling

IN SPITE of the market's verdict that Wednesday's Court of Appeal judgment in the Hammersmith and Fulham swaps case was eminently sensible, the ruling does not remove the need for further litigation – neither does it blow away the cloud of uncertainty that has settled over the swaps market.

The appeal judgment partly reverses November's ruling by the High Court since it allows local authorities to enter into swap transactions to manage their interest rate risk. But it leaves the bulk of Hammersmith and Fulham's market deals unlawful since the court ruled the council was engaged in trading in most of its market activities.

Sir Stephen Brown, president of the court, gave July 25 1988 as the dividing line between Hammersmith and Fulham's illegal market transactions and its lawful ones. It was then that the Audit Commission – the local authority regulator – warned the council it could be acting beyond its powers and Hammersmith curtailed its market activity.

But almost 80 per cent of the local authority's interest rate swaps were entered into before July 25 which adds up to a total notional amount of around £4bn. Since the court decided these were still illegal, Hammersmith intends to walk away from payments it owes the banks on the deals which have been estimated at around £186m.

It is now up to the individual banks to sue Hammersmith and Fulham for payment on each of its unlawful contracts – about 400 in all – which could be consolidated in a single action against the council that will take months to resolve.

Hammersmith and Fulham welcomed the initial High Court ruling in November that all of its swap activity was illegal since it meant it could ignore its obligations to the banks. Hammersmith's costs on its outstanding swap contracts have increased after interest rates started to rise last year.

Mr Mike Goodman, leader of Hammersmith council, estimated after the judgment that the authority would face payments of some £3m on its legal swap contracts which took place between July 1988 and February last year. He based his figures on analysis of the council's activities by the brokerage firm, UBS Phillips and Drew. But the banks have challenged his figure, saying it could be much higher.

None of the 77 local authorities that were pillars of the UK swaps market several years ago has paid any of its outstanding liabilities to the banks since the November ruling. Interest payments on swap contracts become due twice a year and are calculated on interest rate levels in the preceding six months.

The banks will now be charging the local authorities default interest on their lack of payment. But they believe most authorities are willing to pay up. Yesterday, in fact, two authorities with large swap transactions on their books approached the banks and asked how they could start paying again.

There are a few councils which had been in default on contract payments even before the court case. These are now facing court action that was held up during the Hammersmith and Fulham case. One of these is Ogwr in Wales which is being sued for some £12m in outstanding payments by Midland Bank and Citicorp.

If the council is forced to pay its liabilities, it could go bankrupt.

Although the court of appeal ruling goes some way towards clearing up the past imbroglio on local authority swaps, it does nothing to remove the shadow of doubt cast over local authorities' dealings in the swaps market.

Ms Irene Dorner, who speaks for the steering committee of 38 banks which have supported the court action, says banks will not deal with local authorities on swaps until there is some legislation that covers their position.

The appeal judgment defines the boundary line between prudent risk management and pure trading in the market. It says: "The feature to which we attach importance is the clear linkage between a swap transaction and a particular debt or debts (or investment)."

Westminster Council has been one of the winners in the swaps market and it is now able to receive the £375,000 it is owed from the banks on nine swap transactions that were in its favour. That benefit is worth £3 per head to Westminster residents' poll tax costs, Mr Hopkins says.

However, other authorities have seen themselves locked into swap transactions that they have been unable to alter since the market was frozen last February. Usually swaps are reversed, cancelled out, or can be modified in some way to reduce payments due.

These councils now owe more than they had bargained for and face interest charges on top for their inability to pay while the case was in progress. Mr David Lester, treasurer of Sutton council, who is secretary to the Society of London Treasurers, believes it will mean some adjustment in poll tax charges to cover outstanding payments.

At a meeting next week, local authority representatives, the Audit Commission and the Society of London Treasurers will form a working party to consider treasury management by local authorities. Along with the banks, the group is pressing the Department of the Environment to move legislation that clarifies what councils can do in the money markets. Whatever happens to any legislation, swap market issues are expected to drag through the courts for months – if not for years – to come.

How swaps work

A SIMPLE interest rate swap transaction is the exchange of fixed interest rate payments for floating rates. In theory the contract involves an exchange of the notional debt, but in practice interest payments only are made. Those are usually netted out and the difference paid.



Hammersmith's Mike Goodman (top) and Irene Dorner

THE AMBULANCE DISPUTE

Both sides make the most of exceptionally complex deal

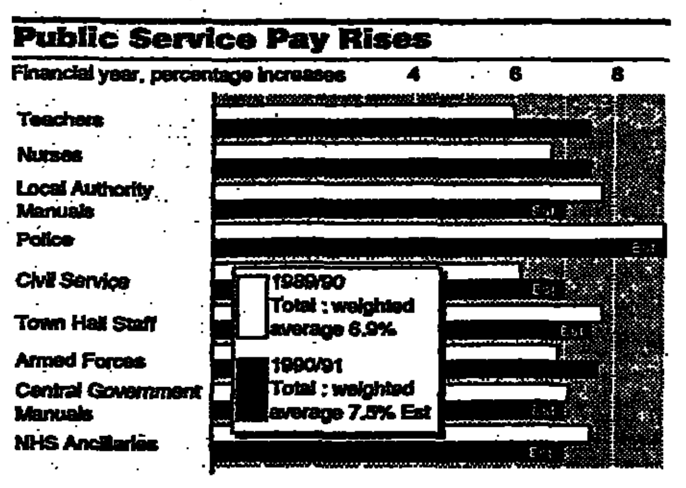
By John Gapper, Labour Editor

AFTER a conflict that lasted so long and cost so much, there was little chance of a simple settlement. None the less, the deal reached to end the ambulance dispute was exceptional in its complexity and ambiguity. It left plenty of scope for differing interpretations.

Both management and union sides took full advantage of this yesterday. Mr Roger Poole, the chief union negotiator, argued that it had "driven a coach and horses" through public sector pay policy. Mr Duncan Nichol emphasised that it would add only 13.3 per cent to the pay bill over two years.

The one clear result was that the union side was defeated in its call for an indexation formula similar to that for firefighters and police officers, both of which link pay to rises in private sector earnings. The form of words finally agreed was far from establishing such a formula.

Instead, the two sides agreed that negotiations within the ambulance Whitley Councils should in future "have regard to relevant pay movements in the health service." This is some way from establishing the sort of external link to firefighters pay that Mr Poole sought at the start of the dispute.



Source : Public Finance Foundation, Feb.1990

Furthermore, the management side managed to build its own aspirations into the form of words. Future negotiations will also be based on internal pay differentials, affordability, the need for local pay flexibility, and the need to identify and solve career and pay structure problems.

Mr Poole argued yesterday that this formula gave unions the sort of framework that they had been seeking for some time. None the less, it is clear firstly that the words do not establish a fixed pay link, and secondly that pay comparability is only one of the ideas to be considered.

On pay, the extension of an original one-year offer of 6.5 per cent to one of 9 per cent over 18 months, and finally to one costing 13.3 per cent over two years made comparisons difficult.

Coherent arguments were available to both sides to say that the deal was good value.

● **Unions:** The lump sum payments ranging from £615 to £915 are equivalent to about 9 per cent over the 11 months from April 1 last year. The final month of the year is also covered by a 9 per cent rise, so ambulance crews have won bigger rises for 1989/90 than most other health workers.

In the second year, the 7.9 per cent increase is only paid from October 1, meaning that the overall rise for the year is worth only about 3.8 per cent. This is clearly lower than other health workers will win in coming talks. But there is a final sting in the tail of the deal from April 1991.

The fact that pay will have risen 7.9 per cent by that time, in spite of the pay bill rising by only 3.8 per cent means the base for the following year's deal will be higher. The cost of that deal will be 1¼ times the bare increase: a 5 per cent deal would cost 7.5 per cent on the pay bill.

Mr Chris Trinder, a senior research fellow of the Public Finance Foundation, estimates the value of the deal over two years at about 15 per cent. This is in line with other public sector groups, including those covered by the traditionally more expensive indexation formulas and review bodies.

The unions can also point to the extra payments for staff with paramedical skills, and to the chance of a further 2 per cent rise linked to local productivity deals. The productivity formula means that staff will benefit directly from savings that managers think can be achieved.

They can thus argue that the value of the deal is better than those traditionally won by constrained bargaining in Whitley Councils, that further pay increases are available for local productivity improvements, and that the "end-loading" of the two-year deal will boost the value of the 1991/2 deal.

● **Management:** The first crucial achievement of the management side was to constrain the value of the settlement within the pay guidelines for the two years 1989/90 and 1990/91. The chart shows that the overall value of public sector awards for these two years is likely to run at about 15 per cent.

It can also fairly claim that the deal does not break fundamentally with the 18-month offer made on November 17. The basic pay increase up to October this year is the 9 per cent then on offer. The 7.9 per cent increase to cover the final six months is more expensive, but affordable.

The second achievement was to resist the unions' demand for a pay formula. In the later stages of the dispute, Mr Poole emphasised that the unions were prepared to look at different forms of pay mechanism, such as the long-term deals now covering the non-industrial civil service.

However, the final form of words could be used as much to the management's advantage as the unions'. The theme that Mr Nichol repeated during the dispute, that of more flexibility for local pay variations and to reward skill, is reflected in the agreement on future pay bargaining.

Mr Trinder's judgment is that the Government has resisted any clear breach of its pay policy by the unions. "It is not a total defeat for the unions, but at the same time, it does not drive a coach and horses through the Government's pay guidelines."

Battered workers see Judge Jeffreys' ghost

Fiona Thompson finds Dorset staff bitter about what they see as rough justice

ROUGH JUSTICE, which has been visited on Dorchester since the time of Judge Jeffreys' Bloody Assize, was hanging over the county town again yesterday.

This was the feeling of ambulance workers there yesterday. Battle-weary, bruised and bitter, they were expecting to bow to the realities dictated from London.

In spite of deep disappointment that the deal reached after 20 hours of talks and recommended by union leaders does not include a pay formula, staff at Dorchester felt it would be accepted by their station and probably throughout the county.

"People are simply very tired. The dispute has gone on for a long time," said Mr Duncan Fowlie, a leading ambulanceman who has served for 17 years in Dorchester. "Financially it has caused great hardship. There is a lot of debt around."

Dorchester's station has 18 crew members, seven of whom carry out non-urgent out-patients and geriatric work; 11 are fully qualified accident and emergency staff. Four of the eleven are paramedics.

The seven non-urgent staff have not been paid since November, when the national union leadership imposed a ban on all non-emergency work. The 11 qualified staff were put on 75 per cent of pay from November 17 and had had no pay since January 11 after further restrictions prompted management to suspend crews. The Dorchester staff returned to work a week ago, after the distressing death of a woman in the town.

"I have run up a £1,000 overdraft, just paying living expenses," said Mr Dennis Rowland, 10 years an ambulanceman.

Mr Rowland is bitter that the months of action have not resulted in a satisfactory conclusion.

It was the formula that was crucial, he said. "We would have accepted 6.5 per cent if there had been a formula. Ambulance staff hate taking industrial action. People are very worried now that there may need to be more action in just over a year's time."

Mr Roger Poole, the chief trade union negotiator, is not exactly popular in Dorchester. "We were sold down the river in te 1986 deal. Now it's happened again," said Mr Rowland.

The 1986 changes undoubtedly boosted efficiency and operational savings but at a cost of morale.

"In Dorset, with more than 200 ambulance staff, no one has reached retirement age in the last three years," said Mr Rowland. "People have died in harness, or left because of stress or sickness."

Both men said yesterday's decision would worsen the situation. More people will leave the service. Several are actively looking for other jobs.

"Damage has been done to the service which will take years and years to repair. We have torn our hearts out," said Mr Fowlie.

It was also a question of respect. "When I joined the service, I felt I was looked up to," said Mr Fowlie.

"One of the most damaging things to come out of this dispute is that we now know exactly what our boss, Kenneth Clarke, thinks of us — and it's not very much."

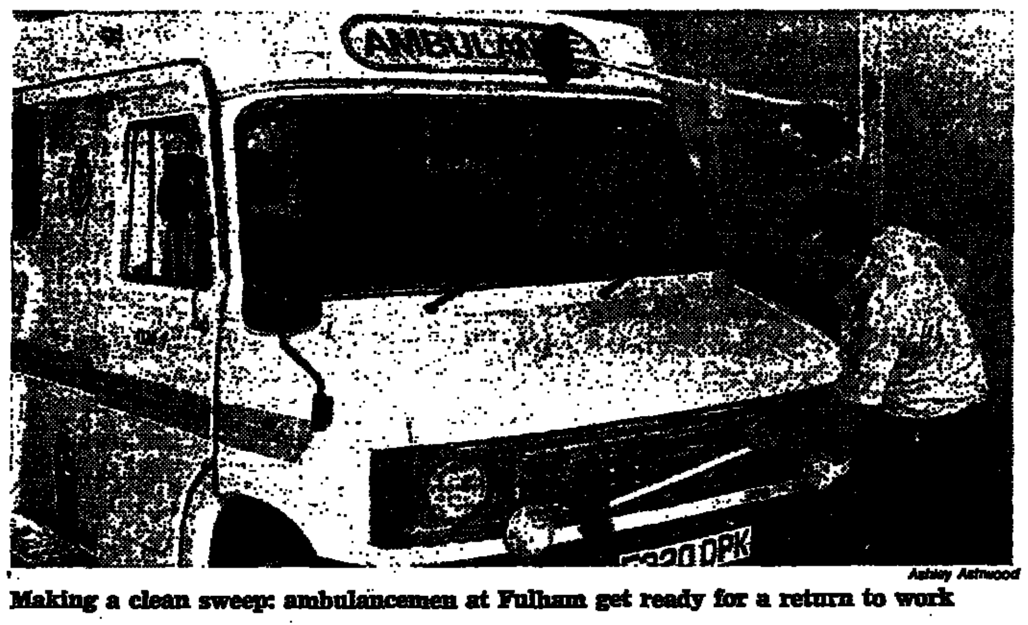
Peace plan offers end to political embarrassment

By Ralph Atkins

THE PROSPECT of peace in the the ambulance dispute yesterday offered an end to the long-running political embarrassment caused to Government supporters — and in particular Mr Kenneth Clarke, the Health Secretary.

Mr Clarke was frequently accused of mishandling the dispute, even by some of his Conservative backbench colleagues. Previously listed as a possible Conservative leader, his political career looked to be derailled by the long-running intransigence.

The settlement thrashed out over Thursday night offers him a chance to start rebuilding his reputation. The Government appears to have deflected charges of a large-scale backdown, possibly vindicating its strategy of holding out for 23 weeks before a settlement was reached.


Ashley Ashwood

Making a clean sweep: ambulancemen at Fulham get ready for a return to work

Downing Street was stressing that the deal was "fair and reasonable." One former Cabinet minister said, cautiously, that Mr Clarke had done "quite well."

In the Commons, the ambulance dispute had often forced the Government on to the defensive and was used as ammunition by the opposition parties. One Conservative backbencher admitted yesterday: "It has caused embarrassment and damage to the Government — but it was not an easy dispute to handle."

Opinion polls — and MPs' mail — showed the ambulance crews had strong public support. When the army was called in to provide an emergency service and the cost began to be measured in human lives, that anxiety became acute among many MPs on both sides.

Within the party Mr Clarke was criticised for being abrasive and unsympathetic to the plight of ambulance staff. He had been appointed by Mrs Thatcher two years ago as someone with the communication skills thought needed to persuade the electorate of the Government's determination to improve, rather than run down, the National Health Service. But, at times, the ambulance dispute left him looking isolated.

The most notorious incident was a letter in which Mr Clarke's characterised most ambulance workers as "professional drivers".

It was an opportunity carefully exploited by the unions, forcing Mr Clarke into a round of media interviews designed to limit the political damage.

Colleague's also questioned whether the Government's reluctance to enter into negotiations was the best course of action. A small group of Conservative MPs even tried to act as a informal link between the Health Department and the unions.

The Health Secretary described himself as one of the Conservative party's "more enthusiastic" supporters of the NHS. However he found himself bound by the Government's determination to restrain public sector pay as part of its battle to control inflation.

He was anxious that the dispute should not just be about just a one-off pay settlement. His strategy fitted with the wider aim of reforming the health service and making sure extra resources won from the Treasury went into better patient care as well as wages.

Attempts to count the human cost produce confusing picture

By John Authers

IT STILL seems impossible to count the human cost of the ambulance dispute.

Much evidence is anecdotal, while comparisons of the numbers of patients dead on arrival and dying in casualty during the dispute and in the same period a year earlier produce a confused picture.

A rise in such deaths from 15 in December 1988 to 22 in the same month in 1989 was noted at Newcastle's Royal Victoria Hospital. However similar figures for Guy's Hospital in London during the first month of the dispute indicated that the mortality rate actually decreased in 1989.

Mr David Skinner, head of the casualty department at St Bartholomew's Hospital, London, estimated that there had been at least one avoidable death in every major London accident and emergency department.

He added, however: "I would not dream of putting a figure on it."

He mentioned one example of a stab wound where the patient bled to death because of delays before any rescue service arrived. "With a rapid response the patient would have lived. It was a simple injury but one which continued bleeding."

Maj Gen Norman Kirby, specialist in charge of the casualty department at Guy's Hospital, London, hoped a two-tier service of emergency and non-emergency crews would emerge.

He said: "If we had a small hard core of well-trained people it would be much easier to link in with the other emergency services."

In areas such as Leeds and Sheffield where emergency and non-emergency crews are kept distinct, no increase in deaths was reported.

Mr David Ferguson, consultant in accident and emergency medicine at the Royal Hallamshire Hospital, Sheffield, said: "We were never able to prove that our mortality figures were higher than prior to the strike."

NEWS IN BRIEF

Ford craft strike to continue

CRAFT workers in the body plant at Ford's Halewood site voted yesterday by an overwhelming majority to continue their strike over the company's pay offer.

The EETPU electricians' union said that between 300 and 400 attended the meeting but only nine voted to go back to work. A further meeting would be held next Friday.

The EETPU will convene a meeting of Ford delegates on Monday to discuss the progress of the dispute over the company's pay offer.

Nursery tax protest

SIR Norman Fowler, the former Employment minister, will today call for the abolition of the tax on workplace nurseries in this year's Budget.

The Treasury's policy is "eccentric" and should be "put out of its misery," Sir Norman is expected to tell the Conservative's West Midlands area annual conference.

Sir Norman will also call for child care vouchers offered by employers to be made tax exempt.

Birds Eye at Acas

Managers and unions from the Birds Eye Wall's factory in Lowestoft, where 1,200 workers are on strike over the imposition of new working arrangements, are to meet for talks at the Acas conciliation service on Monday.

Workers at the factory voted on Thursday to continue the two-week-old strike. The Transport and General Workers' Union has refused to accept two aspects of an extensive revision of the company's Workstyle package of new working practices.

Builders' register

EMPLOYERS in the construction industry were yesterday urged by the Construction Industry Training Board to consider a national skills register which would require all craft workers to gain a certificate of competence to be able to work.

Teachers' ballot

Representatives of the NAS/UWT teachers' union will meet in Wembley this morning to decide whether to ballot members on industrial action over their pay award.

Teachers were awarded an 8.3 per cent rise by an interim advisory committee which reported earlier this month, but the Government decided to implement the increases in stages. A motion to today's meeting condemns the "imposed pay cut" and calls on the executive to ballot the NAS/UWT's 118,000 members.

Prison talks stall

TALKS to avert industrial action by officers at Armley jail in Leeds broke up without agreement yesterday but the Prison Officers' Association and Home Office management are to resume talks next week.

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Imperfect linkages

WHEN THE finance ministry and central bank of the world's largest creditor country engage in a public dogfight over the thrust of monetary policy, the rest of the world might be expected to take note. A share price plunge of more than 3 per cent in a single day in a market that accounts for more than 40 per cent of the value of equities worldwide might equally be expected to cause the international financial community to run for cover. Yet this turbulent combination of events in Tokyo this week produced a remarkably muted response elsewhere.

Conventional wisdom has it that capital markets now operate on a global basis. But there are times when the global linkages seem curiously intangible. During the 1987 stock market crash Tokyo weathered the storm far better than most. Yet this week the priorities were completely reversed. While Tokyo equities have fallen more than 10 per cent from their recent peak, London and Wall Street felt a fairly modest backwash. The pattern of yields in the bond markets, meantime, is not, at first sight, easy to rationalise.

For those who instinctively identify West Germany and Japan with monetary virtue there is something odd about German bond yields that now exceed the yield from US Treasury bonds. The return on US Treasuries is around 8½ per cent, compared with nearer 9 per cent for government bonds in the Federal Republic. Before the Japanese Ministry of Finance intervened to support the market earlier this week, long dated bonds in Tokyo rose above 7 per cent – this in a country that experienced a mere 2.8 per cent consumer price inflation last year. That figure, which was inflated by the introduction of the controversial consumption tax, is widely expected to come down to 2 per cent this year.

Rethink needed

Yet there are good grounds for arguing that inflationary expectations in the 1990s need rethinking in the light of a dramatic shift in the political and economic picture. West Germany, for example, has moved in the space of two years from sclerosis to 4 per cent economic growth. Leaving aside events in eastern Europe, inflation appears to be heading for 3½ per cent or more over the next 18 months, purely on the basis of what is happening in the domestic economy. Throw in the budgetary implications of providing East Germans with welfare and other benefits at West German levels and it becomes possible to make a case for German inflation overtaking inflation in the US.

Equally important, the market is demanding an additional premium for risk in relation to German currency union. An over-generous rate of conversion for East German marks would lead to a big expansion in West German money supply. East German savings that are now of questionable worth might suddenly find an outlet in consumption in the West German economy, thereby adding to inflationary pressure. That risk premium is unlikely to disappear until a conversion rate (or rates) are agreed and the East German elections on March 18 are out of the way.

Social division

The case for caution in Japan rests on the huge bubble in land and share prices in the 1980s. Mr Yasushi Mieno, the new president of the Bank of Japan, believes that this asset price inflation has been socially divisive. He also fears that it could ultimately spill over into the prices of goods and services. There lies the explanation for successive increases in the official discount rate, which have contributed to the plunge in bond prices and equities.

Mr Makoto Utsumi, the vice-minister of finance for international affairs, believes that asset price inflation is less likely to find an outlet in consumer price inflation. Hence his public argument with Mr Mieno this week. But it is possible to sympathise with any central banker who recognises that returns on domestic bonds and equities are hopelessly out of line with the international norm and seeks to push the burden of adjustment onto asset prices rather than increased inflation.

It may be that West German and Japanese bond prices have been over-reacting to the increase in the inflationary threat. But the pressure for convergence in bond markets is real enough in a world where the Group of Seven industrialised countries have been seeking to stabilise exchange rate since the Louvre Accord. Equities, on the other hand, are less obviously tied together. Portfolio diversification into international equities is still a recent phenomenon for Japanese – and, for that matter, American – institutions. The pricking of the Japanese bubble in recent weeks is unlikely, in itself, to have a dramatic effect on the equity outflow. But when US and UK equities respectively yield seven and nine times as much as Japanese equities, it is a safe bet that the pressure for convergence will intensify.

Stefan Wagstyl reports on the sliding Tokyo stock market and the discord among Japan's monetary authorities

The curtain falls on the era of the triple merits

The air of invincibility which surrounded the Tokyo stock market for much of the 1980s has this week dissolved in a cloud of doubt, uncertainty and bitter argument between the Japanese Ministry of Finance and the Bank of Japan.

Investors have been scurrying for cover for most of the week as the stock, bond and currency markets swung around wildly in bursts of jittery trading separated by long periods of nervous inactivity. The Nikkei index of leading stocks fell 935.87 points yesterday to close at 34,890.97 – down 6.8 per cent on the week.

"All the participants in the market have become spectators," said Mr Steve Mazloumian, treasurer for Barclays Bank in Tokyo. "People are pulling out . . . nobody knows which way it will go next."

A rise in interest rates, the great leveller of financial markets, has shattered the confidence which has set Tokyo apart from other financial centres, at least since the crash of October 1987.

Japanese fund managers have succumbed to the fears that have pervaded New York and London since the crash. After eight years, the great bull run, which turned Tokyo into the biggest stock market in the world, seems to be faltering.

The consequences are already apparent in the confusion which reigned this week in Tokyo, epitomised by the row between the Bank of Japan, which wants to raise interest rates, and the Ministry of Finance, which has pledged to hold back the tide. Markets around the world have been shaken by the sight of Tokyo in turmoil.

Mr Makoto Utsumi, vice-minister for international affairs at the finance ministry, said in a speech this week: "The stability of the Japanese markets is the foundation of economic stability not only in Japan but also in the world economy."

The immediate cause of the plunge in stock prices this week was an attempt by securities brokers in Tokyo to sell holdings of equities acquired while trading them against stock index futures. One US investment house was rumoured to have sold half a Y400bn (£1.6bn) holding – and to have run into trouble trying to sell the rest.

However, futures traders are easy scapegoats, particularly in Tokyo where stock futures were introduced only a year ago and where the biggest participants are foreigners.

The real reason for the market's sharp fall is the end of the era of what Japanese call the "triple merits" – falling interest rates, declining oil prices and an appreciating yen, which together supported the Tokyo market from the time of the Plaza currency accord in 1985. The watchwords now in Tokyo are the "double demerits" – high inflation and high interest rates.

Japanese short-term interest rates have been rising since early last year, under pressure from increases elsewhere, which undermined the strength of the yen.

Concerned about the threat of a resurgence in inflation, the Bank of Japan steadily increased official rates in to order to try to reduce the rate of money supply growth. But some investors in the Tokyo market were convinced high short-term interest rates would not last.

Reality began to dawn early this year following increases in long-term rates elsewhere, especially West Germany. Investors saw the yawning gap between the 5.5 per cent yield on the Japanese benchmark government bond and 8 per cent available in West Germany and nearly 9 per cent in the US. In mid-January Japanese bond prices plunged, yields climbed to over 6.5 per cent and stocks fell.

Nevertheless, some investors persuaded themselves there was little to worry about, ascribing the market's troubles to uncertainty over the Japanese general election, which was held last Sunday.

When the ruling Liberal Democratic Party was safely returned to power, fund managers looked again at economic fundamentals. The gap between long-term interest rates in Japan and the rest of the industrialised world still seemed too wide. Bonds collapsed on Tuesday, sending yields above 7 per cent for the first time since 1985 and the stock market fell like a stone.

By an unfortunate coincidence, Mr Alan Greenspan, chairman of the US Federal Reserve Board, gave evidence to Congress on Tuesday. His remarks, in which he indicated he was still concerned about inflation, were interpreted as saying that US interest rates could not come down. His words killed off any possibility of a quick recovery of confidence in either the yen or Japanese stocks or bonds.

The week's dramas have to be put in perspective. Even after suffering its biggest weekly decline since October 1987, the Nikkei index stands only 10.4 per cent off its all-time peak. It is roughly where it was last October.

In other words, this is not a crash. In the aftermath of October 1987, the Dow Jones index fell to 34.2 per cent below its peak; the FT-SE 100 fell to 30.5 per cent below its high. Both the Tokyo market's advance late last year and its subsequent decline have occurred in light trading – so the aggregate losses are relatively small – even though a few individual investing companies may be in difficulties. Large Japanese institutions have been mostly inactive. Mr Akio Mikuni, president of Mikuni, a credit rating company, said: "They've been thinking for some time that an adjustment has been long overdue."

Relations between the finance ministry and central bank have never been so bad, one senior Japanese banker said

Moreover, Japanese investors are well able to take the strain. For financial institutions, equities holdings as a proportion of total funds have doubled in the last five years, but are still just 9 per cent of the total.

Also the underlying Japanese economy remains strong. After three years of expansion, industry is suffering from the strains of success – especially rising labour costs – but no-one expects anything more than a gentle slow down in GNP growth from 5 per cent last year to perhaps 4 per cent in 1990.

Nevertheless, the seriousness of the market's troubles is underlined by the public row which has erupted between the Bank of Japan and the Japanese Ministry of Finance.

The central bank, which raised the Official Discount Rate three times last year from a low of 2.75 per cent to 4.25 per cent, wants to raise rates further, possibly by 0.75 per cent. It is concerned about inflation creeping into the Japanese economy, principally because of labour shortages. Consumer prices rose by 2.5 per cent last month – insignificant by British standards but worrying for a country accustomed to stable prices.

In the opposite corner is the finance ministry, which argues the bank is exaggerating the risks of general inflation. It points out that increases in consumer prices are being artificially inflated by the introduction last April of a 3 per cent consumption tax.

However, Mr Yasushi Mieno, who was appointed governor last autumn, says general inflation is not the whole story. He is making a personal crusade out of curbing land price increases, which he says are dividing Japan into a new rich and a new poor. Mr Mieno detects sign of a resurgence in Tokyo land values after an 18-month lull.

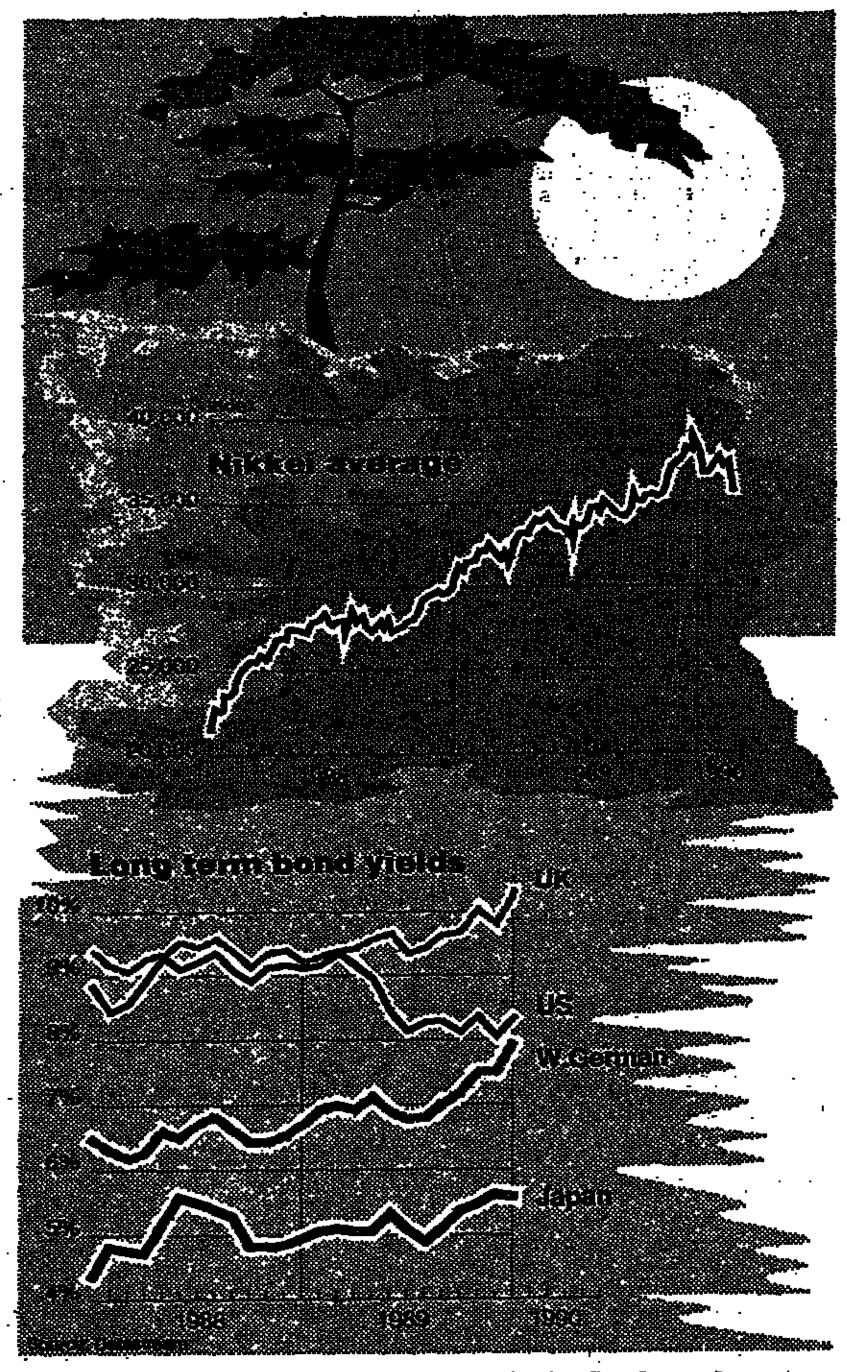
The finance ministry believes Mr Mieno is treading on dangerous ground because land prices respond to quite different stimuli from general prices. Mr Utsumi this week accused the central bank of engaging in a "misleading discussion" which could cause ambiguity about policy and so "lead to market instability."

A senior Japanese banker said he could not remember a time when relations between the central bank and the finance ministry were so bad. "It could never have happened under Governor Sumita." Mr Satoshi Sumita, Mr Mieno's predecessor, was a former ministry bureaucrat parachuted into high office at the bank. Mr Mieno is an independent-minded BoJ career official.

Institutional rivalry fuels the argument. The central bank is responsible for short-term rates, the ministry for long-term rates – not least because it issues government bonds and pays interest on them. The ministry has the greater powers: but it is constrained from bludgeoning the central bank into submission by fear of the impact such an attack might have on the markets.

But at the heart of the matter is a genuine difference of view about the financial markets. The central bank believes the gap between Japanese long-term rates and rates elsewhere provides indisputable evidence that Japanese rates must go up. Otherwise the yen will continue to fall. Bankers who support the BoJ's view say the long-term government bond yield has to rise to at least 7.5 per cent.

They argue the finance ministry is recklessly risking everything for the sake of the stock market. "The stock market is high-profile and it is political," says Mr Mazloumian of Barclays. "They seem to be ignoring everything else."



In the end, say bankers who support the Bank of Japan, it is bound to fail since the extra money pouring into the financial system through uncontrolled money supply growth will in the end provoke an anti-inflationary response that undermines the securities markets. "The longer we wait (for another rise in the discount rate) the worse it will be," said a Japanese banker yesterday.

The ministry's view is that what matters to investors are not nominal interest rates but real rates, adjusted for inflation. On this basis, Japanese rates and US rates are approximately equal at about 4 per cent. But, say the ministry's supporters, taking the artificial effect of the consumption tax into account, the real rate in Japan to 5 per cent or more. Mr Keikichi Honda, a director of the Bank of Tokyo, says: "Japanese rates are already too high."

The two authorities are slugging it out in the markets. The central bank has this week been buying yen in the foreign currency markets. At the same time, the finance ministry has intervened twice in the bond market – buying bonds and pumping more yen into the financial system.

Once the smoke clears from the battlefield, investors will have to decide whether to go back into the market. October 1987 was a buying opportunity for those brave enough to act immediately after the crash.

The bull argument in favour of Tokyo is based as before on the power of Japanese manufacturing industry. The world will buy more Japanese cars, machine tools and microchips in the 1990s than it did in the 1980s. Even though the Japanese economy is slowing it looks likely to grow at a rate which makes other industrialised countries look pedestrian.

Moreover, the increase in inflation which has so frightened the Bank of Japan is largely the result of economic strength not weakness: labour is short because industry is working flat out. It is investing unprecedented amounts in new plant to compensate.

Against this, Japanese investors are themselves seeking investment opportunities abroad more and more actively – notably in Europe where they hope to profit from the economic integration of the EC and from the revitalisation of eastern Europe. They pay increasing attention to the objections foreigners have long had about investing in Tokyo – namely the low yields on Japanese assets, especially land. They increasingly believe there are better returns to be had abroad.

But Japanese investors are not abandoning Tokyo. Japanese assets, including equities, are the core of the institutions' holdings. Foreign securities account for only 12 per cent of the securities holdings of banks, for example. When the time is right these institutions are likely to start buying Japanese equities once more. Even yesterday, there was at least one sign of buying in the stock market. Sony was up Y20 at Y7,900.

MAN IN THE NEWS

Pehr Gyllenhammar

A fresh claim to industry's Nordic throne

By Robert Taylor

Volvo's chairman Mr Pehr Gyllenhammar has acquired the reputation of being an impetuous romantic during his 18 years at the head of Scandinavia's largest and most profitable company. But of all the big, imaginative deals he has been involved with, yesterday's co-operation agreement with Renault, the French state-owned company, is the most adventurous.

Mr Gyllenhammar, now 54, is a man who loves to surprise. Over the past three months he seemed to be moving into the shadows, preparing for a graceful exit after announcing Mr Christer Zetterburg, head of Sweden's PK Banken, the state-controlled bank, as his heir apparent.

But Sweden's most imperious and charismatic business leader has once more confounded his critics at home who regard him with a mixture of envy and hostility. His latest venture with Renault is the pinnacle of his long-held ambition to become one of the most powerful industrial figures in Europe. Indeed, his achievement means he has again replaced his arch-rival Mr Percy Barnevik, the head of Asea Brown Boveri the Swedish-Swiss electrical engineering group, as the uncrowned king of Nordic industry.

Mr Gyllenhammar was a founder of the European Business Roundtable, a forum for top businessmen. He speaks French and English fluently and holds the *Légion d'Honneur*. With this background, he was faster than most Swedish entrepreneurs to recognise the growing challenge of the European Community. "Volvo must invest where our markets and customers are," he said last year. "We have every intention of staying in Sweden but the company's growth will take place more and more inside the EC" – where he has established car, truck and bus production during the past few years.

Patiently he has sought an equal business partner in Europe who would strengthen Volvo's position without destroying its distinctive corporate culture. In Renault he believes he has found the ideal company for co-operation, enabling him to fuse pan-European ambitions with his role as Sweden's industrial statesman.

Indeed, Mr Gyllenhammar has always been anxious to demonstrate his faith in Volvo as a Swedish company. "It is important for my country that Volvo remains Swedish," he said recently in a patriotic pledge when arguing that a business enterprise, like a person, needs a sense of place. He added: "If we announced tomorrow a giant deal which was important for employment and the company's expansion, but which would mean the company having to move abroad to country X, then it would be no exaggeration to say that Sweden would suffer an identity crisis."

But then he has always seen himself as much more than a mere employer obsessed with the bottom line on the annual balance sheet.

There has also been more than a touch of the gambler about some of his earlier business adventures such as his disastrous foray into the oil business and biotechnology. His move into food and pharmaceuticals, culminating in last December's big Swedish deal between Pharmacia and the state company Procordia, proved to be sounder based.

To the admiring international business world he is the quintessential Swedish employer, sensitive to the needs of Volvo's production workers, combining an enthusiasm for the market economy with social justice. Mr Gyllenhammar's idealism lies behind the abandonment of assembly line methods in auto production at Volvo's newer plants.

Mr Gyllenhammar arouses mixed feelings among his fellow Swedes. A recent admiring biography of his exploits suggested there is a deep ambiguity in Swedish attitudes, making him both one of the most popular but also one of the most distrusted men in the country. Perhaps the feeling stems from his un-Swedish desire to win, in business or in his favourite sport of sailing. In the corridors of his trendy corporate headquarters on a hill just outside Gothenburg, he is often known – not always affectionately – as the Emperor.

Opinions about Mr Gyllenhammar's business acumen differ widely. There are those who believe Volvo would have performed much better over the period of his chairmanship under another leader with a tougher financial eye and greater alertness to shareholder interests. Others are more charitable, believing that despite his occasional mistakes, his European core strategy has made sense.

Certainly Volvo's financial results in recent years have been better than expected, despite growing competition in the US market. In fact, Mr Gyllenhammar has used Volvo as a platform from which to speak out for the wider aspirations of Swedish industry in the international business world.

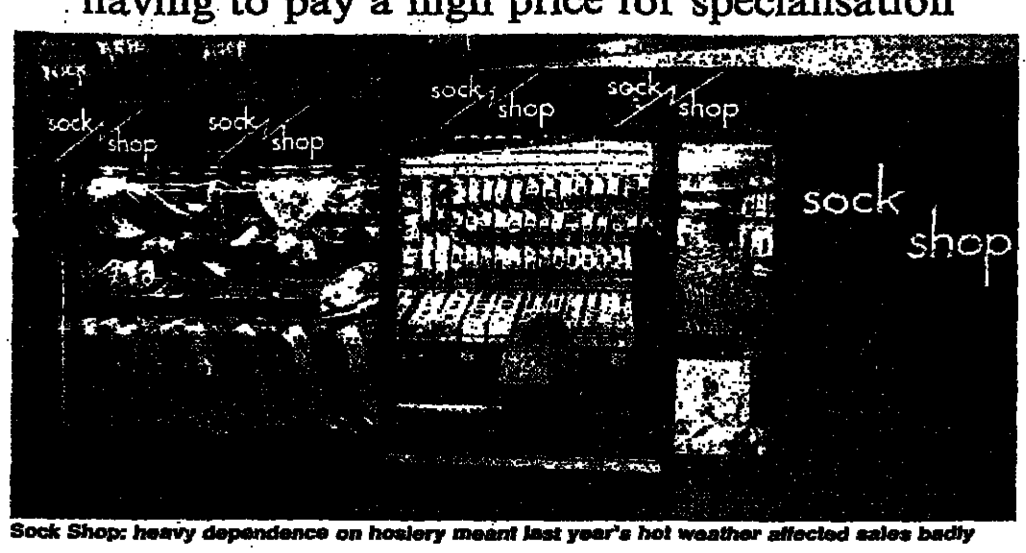
There is a touch of the enlightened despot about Mr Gyllenhmmar. Nobody has ever had any doubt who has been running Volvo since 1971, although he has created an impressive cadre of managers to run the company. But he is keen to stress that – though he took over Volvo as the son-in-law of the outgoing chief executive – he is not part of any of the dynastic family networks that dominate much of Swedish business life. Over the years he has often been locked in bitter rivalry with the Wallenbergs, the greatest of these dynasties.

Mr Gyllenhammar found time over the past fortnight to intervene publicly in Sweden's political crisis. He was accused of naivety by Mr Carl Bildt, the Moderate party leader, for a newspaper article in which he called for a broad based coalition government to solve the country's troubles. But his support did no harm to his already warm relations with the ruling Social Democrats. "Our country needs calm, not a government crisis," he declared. "The outside world looks at us with growing amazement and scepticism; a land in disintegration with strikes and inflation."

Twenty years ago Mr Gyllenhammar wrote a book, I Believe in Sweden, which was a hymn of praise for its economy. He is now more pessimistic about his country's future, but he has not lost his basic faith. "We have a trump-card in Sweden," he says "We are a harmonious land and we can prosper in the 1990s. The growth of the EC's inner market and the developments in eastern Europe give us a chance for peace and guarantees good economic growth."

No doubt, he Mr Gyllenhammar will see Volvo's marriage to Renault in that wider dimension – a very Swedish vision, fusing self-interest with a sense of mission.

Maggie Urry finds that many small retailers are having to pay a high price for specialisation



Sock Shop: heavy dependence on hosiery meant last year's hot weather affected sales badly

When a niche becomes a tomb

Body Shop, Sock Shop, Knickerbox, Flash Trash, Shave Shop, Tooth Booth, Blouse House, *Tie Rack, Shirt Rack.* Throughout the 1980s snappy, alliterative or rhyming names appeared above shops in high streets all over the country.

As the decade progressed the development of such shops accelerated. *The so-called* "niche" retailers occupied shops that were often little more than niches themselves and aimed to fill gaps in the market. Although many only nibbled the edges of even the small markets they targeted, they were highly visible.

But now – as the chairman of one of them says – they have all been "tar-niched" by the failures and struggles of some. The latest to suffer, with perhaps the most *spectacular* of falls – if only because of the heights it had reached – has been Sock Shop International.

Once the group had a stock market value of over £70m. This week the chain asked for administrators to be *appointed* under the Insolvency Act to keep the debt-ridden group afloat while refinancing is arranged.

Yet it is unfair to condemn all niche retailers because of *the problems of some.* And similarly, it is wrong to single out the specialists for criticism, when many other retailers have been in difficulties.

Niche is not, in any case, a good word to categorise the phenomenon. Mr Cripsin Tweddell, of Piper Trust which invests in retail ideas, says "you might as well call J. Sainsbury a niche retailer because it only sells food." Specialist retailer might be a better term.

Specialist retailers were not a creation of the 1980s; many had prospered before. Many are still successful – Body Shop, for instance. And the *concept of a specialist retail* chain still has a future. The right idea, selling the right products, run by the right management can still work.

What has vanished is the late-1980s fashion which grasped the specialist concept and whipped up interest from investors and bankers, who *seemed ready to pour money in* to back almost anyone who came up with a suitably bright name and a glib idea.

The Sock Shop and Tie Rack flotations came within a month of each other in 1987. Sock Shop's offer was 53 times subscribed, Tie Rack's 85 times. Body Shop got its quote much earlier, though its shares were also caught up in the general excitement.

Finance was also available for many ideas far less likely to succeed and with much shorter track records. Who would have thought that a shop called Tooth Booth selling toothbrushes, mouthwash, toothpaste, and other dental accoutrements would prosper? It did not.

Mr John Richards, retail analyst at County NatWest WoodMac the stockbrokers, says that at the height of the hype his nightmare was that he would mention a joke concept and then see it open in Oxford *Street.*

At the end of the 1980s retailing, he says, went through a "very silly phase". Some thought that the flourishing consumer spending would never collapse and that opening more and more shops was the way to ever-greater profits. Judges of business awards were *dazzled by the retail* sector and the recipients of prizes too often believed their own public relations.

This madness did not simply affect the specialists, but spread to a wide range of retailers. Expansion, acquisition, designer refurbishments abounded in the sector, all of them apparently leading to rapid profit growth, but each with hidden drawbacks and heavy *expense. For a while it* worked, but it could not last for ever.

What went wrong with the specialist retailers is, in broad terms, the same as what went wrong at Lowndes Queensway, the furniture and carpet retailer, or Next, the fashion chain, or Storehouse, the BhS, Habitat and Mothercare group.

Last year was the toughest many retailers can remember, and 1990 is likely to be as difficult. Meanwhile costs have risen faster than sales, squeezing margins. When trading *conditions* get tough, weaknesses in any company are exposed.

But the specialists have had some added problems. For a start, their smaller size is a handicap. A large, well-capitalised group can withstand pressures for longer.

A bigger group can take in *its stride errors that can devastate* a small one. Ms Sophie Mirman, chairman of Sock Shop, and co-founder of the company with her husband Mr Richard Ross, says Sock Shop only made one big mistake – the move into America.

That mistake alone is largely responsible for the group's current difficulties. Losses from the 17 US shops, which were closed just after Christmas, *have dragged the company* down, helping to wipe out net assets which will be worth less than nothing by the time the end of February balance sheet is drawn up.

The sale of a majority stake in the US business *should* get rid of most of the problem, but not before a £4.8m write-off. That is a huge blow to a company whose stock market value is only £7.5m, and that at the price the shares were suspended at before this week's news.

Sock Shop operates 124 shops, mostly in the UK, and might this year have a turnover of around £35m. Ms Mirman denies that Sock Shop expanded too rapidly, as some critics have said. Specialists are easily copied. There is no copyright on bright ideas when they are laid out in the high street. So they must quickly capture as much of the market as they can before others move in.

The *specialists' attention* to a neglected product area has often nudged the chain and department stores into livening up their own product offers. Stores had been weak on, for instance, ties and socks, perhaps giving such a small area to a junior buyer or designer to cut their teeth on and then *hiding the products at the back of* their stores.

It is a *simple matter for* Marks and Spencer to brighten up its socks, or for Boots to introduce a range of "natural" toiletries. And with their resources and the sales volumes they generate, they can often beat the specialists at their own game.

The specialists' lack of a broad product base also means that if their particular area is hit, they have nothing else to fall back on. Trade estimates suggest Sock Shop has 3 per cent of the UK hosiery market and perhaps 15 per cent of the women's sock market. Its heavy dependence on women's hosiery meant that when last summer's hot weather persuaded many to go bare-legged, sales dropped badly.

Also, the specialists' choice of property has often worked against them. The small corner sites, typically chosen by the specialists, might have been *cheap, but the race to open* shops pushed up rents. The late 1980s expansionists were taking on leases just when the property market was at its headiest. The Hillier Parker shop rent index more than doubled *between March 1986 and* November 1989. And, of course, the established chains have their own freeholds.

Retailers in general have been too willing to pay not only high rents but premiums to obtain leases. Sock Shop admits to paying a £500,000 premium on a shop, and other *lower ones. The premiums* were put into the balance sheet as fixed assets and written off over the life of the lease.

Mr Richards points out that while under UK accounting practices shop leases are regarded as an asset, in the US they are seen as a liability. Sock Shop, for one, was able to *raise* borrowings partly on the basis of such assets.

The rise in interest rates *combined with high debt levels* was the final straw for many of the specialists. Ms Mirman says in her defence that the group's borrowings – the overdraft was £14.6m at the end of January – were taken on when base rates were 7.5 per cent, when profits could comfortably cover the interest *charges, and when companies* were being exhorted to invest and expand. She feels as aggrieved as might people who were encouraged to buy houses only to be clobbered by the rise in mortgage rates.

The evaporation of the late 1980s over-enthusiasm for the specialist retailers is no bad thing. But the high streets will be greyer places if new ideas cannot be aired, or used to goad the *big stores into sharp*ening up their offerings.

Calculating the community charge

John Authers reports on how one loyal Tory council failed the Government's poll tax test

The most loyal Conservative councils have joined the squeals of protest from local authorities *throughout England and* Wales in the past few weeks. Local politicians of every shade are unhappy as they make their first year's decisions on the level of the poll tax, or community charge.

The problems stem not just from the poll tax itself but from the way it is affected by another important change to local government finance. The old rate support grant has been replaced by a Government *standard* spending grant, which varies from authority to authority. This is linked to a "standard spending assessment" of how much money the each council should spend per charge-payer.

The snag is that local councils believe they should be spending £3 billion more than *the Government wants them* to. This has been translated, says the Conservative-controlled Association of District Councils, into an average community charge of around £360, far above the Government's *notional charge of £278.*

Cambridgeshire, only £21.41 above the recommended Government *charge*, has done better than most. Its Conservative administration was elected last year on a platform of cutting back spending, to replace an administration controlled by Labour and the old Alliance parties. *Since the Tories took* office, they have cut planned spending in 1989-90 by £7.8m, equal to 2.5 per cent of the year's budget.

The wording of the community charge bill Cambridgeshire will be sending to its electors for 1990-91 reveals the tension between local needs and central government's estimates. At the top of the bill is the county council's planned *spending per head, £687.35.* Next to it is the Government's estimate for a "standard level of service" from the county council, which is £665.94. Added to these figures are the Government's recommendations for each district's spending – £92.63 for an average Cambridgeshire district coun*cil – and for parish expendi*ture, about £4.

The rest of the notice shows revenue taken in through the business rates, and the Government's standard spending grant. This grant has been fixed so that, if county, district and parish councils had charged exactly the target set by the Government, the final community charge would be £278, which is the Government's recommended figure. However, the £22 overshoot by the council goes straight to the bottom line – the community charge, which comes out at £299.35. An underestimate of 3.1 per cent in the original spending assessment translates into a 7.67 per cent increase in the community charge. This "gearing effect" – which is even greater in many other areas – is at the root of the anger felt by many Conservative county councils.

COMMUNITY CHARGE

	Authority plans for services (£ per head)	Sum for standard level of service (£ per head)
Cambridgeshire county	687.35	665.94
Avge district*	88.63	92.63
Avge parish*	4.00	–
Total	779.98	758.57
LESS:		
Gvt standard spending grant	188.12	188.12
Business rates	292.51	292.51
Community charge**	299.35	277.94

*Sums depend on other authorities' decisions
**Before safety net adjustment

Cambridgeshire has four complaints about the way the Government made its estimates:

● Inflation. The Government's original assessment for *Cambridgeshire represented* an increase of only 4.6 per cent on the 1989-90 budget. In fact, the Retail Prices Index is rising at 8.3 per cent.

● Reserves. The standard assessment takes no account of the amount by which the local authority ran down its reserves in 1988-89, the year *the Government used* as its base for fixing its target. That was an election year, and Cambridgeshire held down its rates by withdrawing £17.5m from its reserves. This year, Cambridgeshire has been able to keep its poll tax relatively low only by again drawing down reserves by £6.5m, reducing them to £11.9m. This cannot be sustained.

● Grant from central government. Cambridgeshire wanted a grant recognising it as part of the south east, rather than being consigned to the shires, and therefore subsidising London. Mr John Horrell, the leader of the council, says that the high costs of operating as part of the south-east of England are recognised for Bedfordshire and Oxfordshire, but not for Cambridgeshire.

Mr David Prince, Cambridgeshire's finance director, estimates that if the county were treated like the rest of the south east, its community *charge would be about £19 per* head lower.

● Out-dated statistics. The figures for Cambridgeshire's assessment were taken mainly from 1988, since when there has been annual population growth of 1.5 per cent, and an increase in traffic. According to Mr Prince, the county *already has to provide for 800* more junior school children than the formula assumed, which would alone justify n extra £1.1m on the Government's target budget.

Cambridgeshire has tried to squeeze spending. Education takes up more than half of county councils' budgets. Cam*bridgeshire was put down by* Whitehall for a bill of £193m, but plans to spend £206m. It once considered abolishing the school meals service, at a saving of £1m. After public pressure, only £500,000 was cut. In social services, county hall has contracted out much care for the elderly.

In its budget report, Cambridgeshire described the Government's published forecasts as "totally unrealistic". By trying to squeeze local authority spending nationally as it introduced the poll tax, the Government has ended up annoying not only those councils that Conservatives see as run by *Labour's "loony left," but also* its own most loyal supporters.

LETTERS

SLD plans to encourage responsible ownership

From Mr Alan Beith MP.

Sir, John Plender's review of the National Association of Pension Funds' collection of *essays, Creative Tensions?* – the latest addition to the literature on the British disease of short-termism – rightly concentrated on the responsibilities of share owners ("A rocky boat in the City," February 22).

Where economic agents fail to use their market power responsibly, one can legiti*mately describe that as market* failure.

The plethora of ill-advised takeovers of the last few years seems to suggest that in the case of the market for corporate control, there are indeed imperfections that seem to stem from the inability of investors to take a long-term view of the investment. All the evidence suggests that this is proving very damaging to the long-term health of British industry.

Indeed, the bad news is that this process may accelerate when *continental companies* take full advantage of Britain's relatively open stock market in the single market after 1992.

The Liberal Democrats have attempted to address this problem head-on in our green paper on economic policy, Britain's Industrial Future. This argues that the only way to tackle the myopia of certain City financial institutions is to reduce the role of takeovers as the disciplining mechanism for management by measures such as lowering the trigger point for a full takeover bid, allowing a delay before newly acquired shares can acquire voting power in a takeover bid, and by forcing bidders to be more open about their plans for the future of the company at the time of the bid.

In place of the market for corporate control, we would wish directly to encourage owners to take more responsibility. Larger companies could have two-tier boards: a management and a supervisory board.

While we have left open the question as to who should be represented on the supervisory board, we would wish to give the board responsibility for strategic issues such as research and development and long-term investment. An *alternative might be to* strengthen the duties of non-executive directors in similar ways.

Alan Beith,
Liberal Democrat Treasury Spokesman,
House of Commons,
Westminster, SW1

Market dogma dogs the tunnel

From Mr Graham Allen MP.

Sir, The present Eurotunnel/Transmanche Link dispute is the culmination of a decade of market force dogma. It has cre*ated a situation which is guar*anteed to make the Channel Tunnel project difficult, if not impossible to complete. Has it served the British national interest to have a project of such magnitude and importance dogged by personality clashes and litigation which could lead to the tunnel either not being completed or, equally humiliating, being wholly owned by a foreign competitor such as Japan or France?

The outgoing British Rail chairman, Sir Robert Reid, had a deathbed conversion to point out that if there was no public investment in the high-speed rail link, Britain would lose out to the Continent. It is the free-market efficiency of Heath Robinson which appoints a duplicate construction team to watch over the contract, has *208 banks involved in the fund*ing and five companies in the construction consortium.

The Germans, French, Italians and Spanish must be laughing all the way to 1992. They approach all their investment in transport infrastructure in a pragmatic manner, putting the long-term national interest first.

The Government will need its own deathbed conversion if we are to have any prospects in the invigorating economic climate of the late 1990s and into the next century.

Graham Allen,
House of Commons,
Westminster, SW1

Hanson's compulsory conversion

From Mr S.L. Hugh-Jones.

Sir, You report fairly my (and many others') objection to Hanson's attempt at compulsory conversion of its 10 per cent stock ("Hanson is as Han*son does,*" February 17).

But Hanson's defence – that we cannot expect "to be paid twice for the same period" – is hot air. The accident that Hanson may choose to attribute its ordinary dividends to a period long before they are paid does not alter the figures, or the truth: over the next 12 months, its cash flow will rise and our income will fall heavily.

As for the City analyst who thinks a four-month postponement of a (smaller) payment no more *than "a timing difficulty,"* let him live without a salary for that time and see if he still feels as well off "on a like basis." That is the catch – the basis is not "like" at all.

Stephen Hugh-Jones,
97 Abbey House,
Garden Road, NW8

Why company executives need to travel in comfort and style

From Mr Brian Roe.

Sir, In attacking the company car, Mr Etchells (Letters, February 17) appears to ignore the genuine need of companies to run larger cars to conduct their business. Two examples are:

● The need for technical and support personnel to travel long distances in safety and with large amounts of equipment.

● The need to transport prospective clients long *distances* to view specialised installations. Three or four large passengers in a 1,500 cc car, travelling in excess of 200 miles in a day, would not be a good start to a business relationship.

Mr Etchells is keen *to* compare UK petrol prices with those in France, but he is *quick to overlook France's* generally more liberal speed limits. Temptation to exceed limits is greatest when these are set unrealistically low as in the UK in many instances.

Speed is not the real safety problem on our roads but the leaving of insufficient distance between vehicles at whatever speed. On motorways, in particular, it is time something *was done about this.*

Brian J. Roe,
Managing Director,
Jack Roe (CS),
Laburnum House,
Peterstow,
Ross- on-Wye,
Hereford and Worcester

From Mr David Wilkinson.

Mr Etchells suggests the speed limit in built-up areas should be reduced from 30 mph to 25 mph and claims this *would not significantly* increase journey time.

If a 20 per cent increase is not significant then what is the point of Mr Etchells's suggestion that the 70 mph speed limit be reduced by 7 per cent to 65 mph? If a 20 per cent difference does not matter, then why not increase it to a more sensible 85 mph?

More logical ways to reduce motor vehicle pollution would be to require new cars sold in the UK after this year to be *fitted with three-way catalytic* converters, to reduce the annual road fund licence to £10 (as Mr Etchells suggests in his letter) to increase the excise duty on diesel and unleaded petrol by 50 per cent, and to *double the excise duty on* leaded petrol.

David Wilkinson,
17 Speedwell Road,
Birmingham

From Mr T.S.T. Key.

Sir, Having recently acquired a "perk" company car, I should declare an interest. None the less, I worry about David Waller's suggestion ("The attractions of a free ride," February 21) that only the perk user should be penalised in the coming budget.

Surely the benefit that an individual gets from the private use of a company car is largely unrelated to whether it is also used on business? The high mileage company user *may not derive as much bene*fit as others. However, the argument that it is unfair to tax those who have to use a car in the course of business seems misplaced – those individuals could always decide to *forgo private use completely.*

Another consideration is that the arbitrary 2,500/18,000-mile rules at which higher taxes are applied encourages unnecessary – or indeed fictitious – business trips.

The full private *benefit of a* company car should be taxed. Restricting full taxation to the perk user removes only some of the distortion.

T.S.T. Key,
36 Chandos Avenue,
Ealing, W5

Globe to sever Electra link with £101m sale

By Nikki Tait

GLOBE INVESTMENT Trust, *Britain's largest investment* trust and the only one to feature in the FT-SE 100 Share Index, is finally severing shareholding links with Electra, its fellow trust, via a £101m share sale.

Globe is offering its 26 per cent holding in Electra, the biggest single investment in its portfolio, to existing Globe investors. They can buy the shares at 260p apiece, a discount of *19.7* per cent to Electra's net asset value (as of Thursday).

Shareholders, who include a large number of small private investors, are entitled to one share in Electra for every 13.75 Globe shares currently held, or one Electra share for every £5.66 nominal of Globe convertible stock.

The offer, however, has been underwritten and Globe is therefore certain of raising £101m before expenses. The money, it said, would be reinvested "in accordance with established investment policy".

Explaining the reasons for the sale, Mr David Hardy, Globe's executive chairman, said that the Electra holding had become "over-large" in proportion to the total Globe portfolio. The role of Electra, which specialises in unquoted and venture capital investments, was also increasingly being duplicated by direct investments taken by Globe itself.

At the end of December, Globe's unquoted UK investments – excluding the Electra stake – amounted to well over £100m, *out of a £1.22bn portfolio*. It included stakes in Isosceles, which took over the Gateway food retail chain, and the MFI and Reedpack management buy-outs. There are further direct holdings in unquoted companies in the US.

James West – a defensive attitude to world markets

In addition, Globe was one of the core investors in Electra Private Equity Partners, the new buy-out fund which was launched last year, and it owns a 4.56 per cent in Electra Kingsway, Electra's management company.

Links between Electra and Globe are long-standing. Electra was founded by Globe and another trust, Cable Trust, with which Globe eventually merged in the mid-1930s. Electra switched to its unquoted specialisation in the 1970s, and Globe and Cable floated just over a quarter of the equity in 1976.

In 1980 and after the Cable merger, Globe cut its stake from 74 to 26 per cent by making a similar offer for sale to Globe shareholders at 45p per share.

Mr Hardy said that the trust was offering the Electra shares to its investors in this fashion, because this seemed the fairest and most efficient way of proceeding. Globe's largest shareholder, the British Coal pension funds, which own 29 per cent of the trust's equity, will take up their full entitlement to Electra shares.

Mr James West, Globe's *managing director, said that* the sum raised from the sale might initially remain in cash. "We have taken a defensive attitude to world markets in the past few weeks," he commented.

However, he envisaged the cash eventually bolstering declared investment aims. These include an emphasis on UK stocks and a commitment to increase the unquoted portion of the portfolio to about 20 per cent.

Amid yesterday's grim market conditions, Globe shares fell from 172½p to 166p, while Electra lost 20p to 266p.

LWT warns of little growth in advertising revenue

By Andrew Bolger

LWT (HOLDINGS), one of the big five independent television companies, expects to see little growth in advertising revenue this year because of high interest rates and low business confidence, according to its chairman, Mr Christopher Bland.

He was announcing LWT's results for the 17 months to December 31 1989. In November the company won shareholders' approval for a radical capital restructuring scheme aimed at retaining its franchise when the current licence expires in 1992.

Existing shareholders received a 130p per share payout, the financing of which transformed LWT's balance sheet as of January 1 this year from cash holdings of about £50m to borrowings of some £72.5m, and reduced the equity base by around 69 per cent.

The changes in the business make yesterday's figures of largely historic interest. In the 12 months to July 31, LWT made pre-tax profits of £27.8m (£15.8m) on turnover of £241m (£223m). This performance came from a 14 per cent *increase in advertising* revenue and improved operating margins.

For the following five months to December 31 it increased profits to £17.2m (£15.7m) on turnover of £111m (£101m). Those figures were achieved in spite of only 1.8 per cent growth in advertising.

There was an exceptional charge of £3.4m, net of Exchequer levy relief, for redundancy and retirement costs.

For the first time turnover included network income: before programmes were exchanged on a barter basis and included in costs.

The Broadcasting Bill is currently in committee stage. Mr Bland said that although its final shape on the key issue of tendering for franchises was still uncertain, there were wel*come signs of flexibility on the* Government's part – particularly over the regulatory authority's ability to balance programme quality against the amount of the tender.

In addition to the first interim dividend of 2.45p, a second interim of 60p was paid as part of the capital reorganisation; no further payment was proposed for 1988-89. The new preferred shares carry the right to a 5.25p gross annual dividend, which can be increased with shareholders' approval.

● COMMENT

LWT is entering a curious period of limbo, with yesterday's figures relating to a larger company which no longer exists, and all its current efforts devoted to continuing *to operate its franchise*, which will be awarded in the autumn. A combination of flat advertising revenue and continuing high interest rates is hardly the best climate for such a voyage into uncharted waters, but Mr Bland insists it will have the useful effect of forcing LWT to maintain its downward pressure on staff and costs. The shares closed down 4p at 81p. Forecast pretax profits *of £12m* put it on a multiple of about 10. Most investors took a view at the time of the restructuring and those who stayed are now likely to hang on to await the franchise contest *outcome*.

Chairman says the results justify the thinking behind the merger

Lloyds Abbey Life slips 3% to £294.6m

By Patrick Cockburn

LLOYDS ABBEY Life, 58 per cent owned by Lloyds Bank, yesterday exceeded City expec*tations by announcing* a pretax profit of £294.6m for 1989, only 3 per cent down from £303.2m the year before.

Earnings per share were slightly down at 29.8p (30.5p). The directors have recommended an increased final dividend of 11p, making a total of 17p (13.5p) for the year. An increased dividend was part of the merger terms.

Mr Michael Hepher, chair*man, said that the results justi*fied the thinking behind the 1988 merger between Abbey Life and the life assurance, unit trust, insurance broking, finance, and estate agency *businesses* of Lloyds Bank. He pointed to combination of the sales and marketing strength of Abbey Life and Lloyds' 4m customers. Salesmen, he said, who had previously sold one policy a week, were now selling four or five to those Lloyds customers.

The core life assurance businesses increased profits by 9 per cent over the year, but losses at Black Horse Agencies, *the* estate agency, together with a slight downturn at Lloyds Bowmaker, the finance house, led to marginally lower profits overall.

Profits of the Abbey Life Assurance Company, which has 3,038 agents, were up 6 per cent at £135.8m, boosted by a strong performance in an active pensions market.

Mr Hepher said that results from Black Horse Financial Services, where profits rose 13 per cent to £41.8m, had seen good pensions sales counteracting the drop in the mortgage endowment market. Some 300,000 Lloyds customers had now bought policies and the new direct salesforce was being rapidly expanded.

Black Horse Agencies were badly affected by the downturn in the housing market, producing a loss of £5.3m (profits of £18.4m). The number of houses sold almost halved from 69,000 to 38,000. Mr Hepher saw no signs of an upturn in the housing market this year.

Higher interest rates cut *margins at Lloyds Bowmaker* Finance and money costs rose from 9.8 to 11.5 per cent. Profits fell by 2 per cent to £84.2m (£86.1m).

General insurance sold by Lloyds Bank Insurance Services rose by 19 per cent to £35.1m.

Lloyds incurs biggest ever bank loss

By David Barchard

LLOYDS BANK, the smallest of the Big Four clearing banks, yesterday reported pre-tax losses of £715m in the year ending December 31 1989. The loss was the largest ever reported by a UK bank.

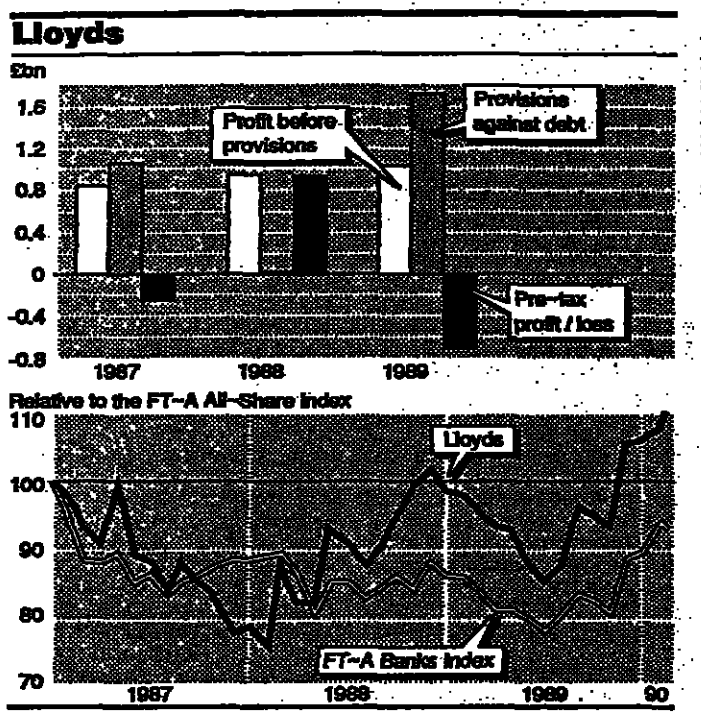
A year earlier, Lloyds made pre-tax profits of £952m. The plunge in the bank's profits was caused by provisions of £1.74bn against developing country debt.

The bank has now made provisions for 72 per cent of its £4.24bn problem country exposure, placing it slightly behind *the 75 per cent provisions of* National Westminster, but well ahead of Midland's 50.2 per cent level.

"We are fully provided for that part of the debt which is doubtful and the worst of this long-running problem should be behind us," said Sir Jeremy Morse, chairman.

Without provisions, Lloyds profits would have been up by 7 per cent on 1988 levels. UK retail banking reported profits of £591m, up from £558m in 1988, while private banking and financial services contributed £63m (£51m).

There was a loss of £17m on *international* banking, due to an increase of £84m in provisions for bad and doubtful debts. Lloyds Abbey Life, the group's insurance, finance house and estate agency arm, contributed £294.6m, down from £303.2m. The drop partly reflects losses on estate agency operations.



Lloyds Merchant Bank made a profit of £13m (£8m).

Total assets grew by 11 per cent in 1989 to £57.54bn. Net interest income rose by 14 per cent from £1.93bn in 1988 to £2.21bn, while other income was up by 28 per cent from £1.11bn to £1.42bn.

Operating expenses rose by 17 per cent from £1.98bn to £2.3bn, but the bank's cost/income ratio fell from 65.1 per cent last year to 63.5 per cent.

The net interest margin – the percentage of net interest income as a percentage of average interest-earning assets – fell from 5.38 per cent to 5.15 per cent for UK business, reflecting a more competitive market, and to 2.08 per cent from 2.29 per cent for the group's international business.

The charge for bad and doubtful debts in the UK went up from £58m in 1988 to £198m, and accounted for 0.95 per cent of customer lending at the year end. Stockbrokers' analysts described the *rate as high*. Mr Brian Pitman, chief executive, said that the high rate of provisions reflected the bank's desire to enter a difficult market year in a strong position.

The bank's capital ratios dropped sharply in the last year, with the Tier 1 capital ratio falling from 5.6 per cent a year ago to 4.1 per cent and the total capital ratio down from 10.1 per cent to 7.4 per cent.

Sir Jeremy Morse said that the ratio would be restored to the 9 per cent level during 1990 with the proceeds from disposals

Loss per share emerged at 48p (earnings 51p), but a final dividend of 9p (7.5p) makes a 13.3p (11.2p) total, an increase of 19 per cent.

AF and Geest plan fish link

By Nikki Tait

ASSOCIATED Fisheries, where Eastern Produce now owns over 50 per cent of the shares, and Geest, the fresh produce and prepared foods group, are *merging their fish processing* interests in an attempt to combat the current difficult conditions within the industry.

The merger of Geest's Macfish business and Associated Fisheries' subsidiary, D. A. Macrae, will create a company with combined sales of around £47.3m.

Both Macfish and Macrae have been loss-making recently, and Geest said yesterday that the aim behind the merger was to streamline operations and cut costs.

The two companies employ 1,200 people in total, of whom 1,100 work in Fraserburgh in Scotland and account for over one-fifth of the town's working population.

Geest declined to give details of rationalisation plans, but said that there would obviously be some duplicated operations and that it would at least examine the long-term viability of all five sites within the merged company.

The pre-interest loss made by Macrae in 1989 was £700,000. The Macfish deficit is not disclosed but, according to Geest, was "significant".

The two companies have been hit by the declining supply – and subsequent cost increases – of white fish such as haddock. Both are significant suppliers to the large supermarket groups, although customer lists do not overlap entirely; Macfish is a more substantial Marks and Spencer supplier, for example, while Macrae has larger links with Safeway.

Under the deal Macrae will be acquired by Macfish in exchange for a 50 per cent stake in the merged company. Macfish will also purchase various properties from Geest for £1.8m.

Associated Fisheries, meanwhile, will provide the company with a £3m loan, interest free for three years. Net assets of both businesses were around £9.5m, and in sales terms they are also roughly equal in size.

UBS again defends its position over compensation for Blue Arrow rights

By John Wickes and Richard Waters

MR ROBERT Studer, president of the Union Bank of Switzerland and the person who, as a former vice-president of investment banking, sanctioned the bank's involvement in the controversial Blue Arrow rights issue in 1987, yesterday issued a staunch defence of the bank's stance on compensation to Blue Arrow investors.

Echoing comments made last week by Mr Rudolf Mueller, the bank's chairman in London, Mr Studer said UBS Phillips & Drew had played *"only a junior role"* in the £837m issue.

He was speaking in Zurich as the bank announced that the London subsidiary had reduced its loss in 1989, would be "only slightly in the red" in 1990 and return to profits in 1991. No figures were available.

Talks between UBS and County NatWest, sponsors to the rights issue, about compensating Blue Arrow investors collapsed after the two sides failed to agree on how to share the costs. UBS refused to pay more than 40 per cent, *while* County pressed for a 50/50 split.

Mr Studer, who expressed his confidence that a solution would be reached in a settle*ment* with County, said UBS was prepared to pay for any mistakes it may have made.However, County's insistence on a 50/50 split was "not acceptable".

"We will not walk away from our responsibilities – but things must be in a proper proportion", he added, claiming *that the Department of Trade* and Industry report into the affair showed that UBS Phillips & Drew had been the junior partner in the deal.

At the time, Mr Studer per*sonally sanctioned the decision* by UBS Phillips & Drew to take 4.5 per cent of Blue Arrow's shares, under a controversial indemnity issued by County. He also negotiated the terms under which County was later released from the indemnity, in the process netting UBS a profit of at least £12m out of the arrangement.

UBS results, page 12

Blue Circle sells Birmid foundries

Blue Circle Industries, Britain's biggest cement manufacturer, has reached agreement with Thyssen, the West German steelmaker, for the *sale of Birmid Qualcast's* foundry interests.

Thyssen has paid £35m for the foundries which are held through five subsidiary companies and are involved in *manufacturing iron and* aluminium castings for the automotive industry.

The foundries were acquired when Blue Circle won a contested takeover for Birmid Qualcast in October 1988. The sale of the foundries is in line with the strategy outlined by Blue Circle when it launched the bid which was to develop the company's consumer products operations and merge them with its existing operations.

Blue Circle confirmed last April that it had placed the foundries on the market and last month Thyssen said that *it was in final* negotiations for the purchase.

Panfida to buy balance of Martins

By Andrew Bolger

PANFIDA GROUP, the Australian-controlled retail and property company which operates the Martins chain of confectionery, tobacco and newsagent stores in Britain, plans to pay £8.2m to gain complete control of the 850-store chain.

As part of the same deal, Mr Rupert Murdoch's News International group is tak*ing a stake of up to 31.3 per* cent in Panfida by subscribing for a maximum of 28.6m new Panfida shares at 35p per share.

Panfida has agreed to buy the 47 per cent minority shareholding in MRG Holdings, the holding company for the Martin Retail Group.

Panfida led a consortium which bought Martins from Guinness for £190m in 1987. The consortium included News International, *which* took a 33 per cent stake in Martins. Mr Murdoch sold his stake to Panfida in September 1988 as part of its restructuring to obtain a *listing*, but News International retained links with Martins.

Panfida said trading at Martins had not escaped the downturn in consumer demand. Sales were running below budget but at about the level of last year, and no signs of an improved environment were evident at present.

However, in response to the current trading and fol*lowing further internal* reviews, a number of cost-saving and positive moves had been made which would lead to improved profit performance.

The 28.6m shares to be placed with News International will be subject to clawback by shareholders of Panfida on a pro rata basis at 35p. Panfida shares closed at 24p, up 8p.

Receivers go into Memory

By Vanessa Houlder

Administrative receivers have been appointed to Memory Computers (UK) and four fellow subsidiaries of the USM-quoted software and systems company.

The move came soon after the appointment of receivers to the Republic of Ireland-based subsidiaries and follows December's suspension of the *shares and aborted talks this* month about a management buy-out and restructuring.

The receivers, Mr Stephen James and Mr Roger Oldfield of KPMG Peat Marwick McLintock, are talking to possible purchasers of the business.

Gearing reduced to 90% at Bennett & Fountain

BENNETT & Fountain, which tumbled to losses of £7.88m in the year to July amid accounting control problems in its retail division, yesterday told shareholders that gearing stood at just under 90 per cent.

This, however, is an improvement on the 160 per cent level seen at the year-end.

The wholesaler and retailer *of electrical goods also said* that efforts were being made to restore the retail operations to profitability.

According to B&F, a fairly high level of shareholders turned out for the meeting, which saw an intervention by Mr Roy Axon, the former managing director of the retail division.

Mr Axon's service agreement was terminated by B&F last year – along with certain management buy-out proposals which he led – after the scale of trading losses in the division came to light. Mr Axon is currently claiming unfair dismissal.

The company's 1989 accounts were qualified by Finnie & Co, the auditors, because the retail division's cost and stock control problems meant that full information on sales and cash receipts was not forthcoming.

Bid for GPG cleared

Mr Nicholas Ridley, the Trade Secretary, has decided not to refer to the Monopolies Commission the £55m bid by Sir Ron Brierly's IEP for GPG, the financial services group.

A group of banks holding 61 per cent of the stock have already accepted. The board of GPG has said the 17p per share offer is inadequate, but is recommending shareholders to take advantage of the recent strength of the share price to sell into the market. The offer *expires on March 1*.

Ramus hit by housing fall

The downturn in house buying over the past year has hit profits at Ramus Holdings - at the taxable level, they fell from £801,000 to £34,000 in the six months to December 31.

Mr Lionel Ramus, chairman, *said that the company*, which distributes wall and floor tiles, self assembly kitchen furniture, vinyl flooring and sanitaryware, had suffered not only in new construction, but also in the home improvements market where about 70 per cent of activity takes place within two years of a move.

He said the company had been particularly vulnerable to the slowdown in the south-east housing market where it had been traditionally strong.

Turnover fell to £22.39m (£25.78m) and trading profit to £476,000 (£1.07m). Interest payable rose to £442,000 (£271,000). The interim dividend is cut to *1.5p (2.5p)*

Equity & General plans sale of finance arm due to high interest

By Vanessa Houlder

Equity & General, the financial services and motor retailing concern, yesterday announced plans to dispose of its finance division, which, it said, had *recently been hit by high interest rates*.

At the same time, it warned that the significant losses incurred by the division made it unlikely that the group would make more than nominal trading profits in 1989.

The share price fell 2p to 19p on the news.

Two freehold properties will *also be sold in an effort to* reduce gearing.

The motor vehicle sales and after-sales business started the year well, with increased turnover, the company said.

Swedish boarders facing hostile reception after launching £48m takeover

Walter Runciman becomes bid target again

By Clare Pearson

WALTER RUNCIMAN, the shipping, security and insurance group yesterday again became the target of a hostile takeover bid. Forvaltnings AB Avena, a Swedish holding company with interests predominantly in security equipment and construction, launched a £47.8m bid for the company and dis*closed that* it had acquired a 28.5 per cent stake.

The 520p per share cash offer is almost certain to be rejected by Runciman's board after it meets on Monday. Yesterday the company urged shareholders to take no action in the meantime in respect of the unsolicited offer. The thinly-traded shares closed 46p higher at 518p.

Avena bought its stake last December from Telfos Holdings, the diversified engineering group which unsuccessfully launched a £31m paper and cash bid in 1988.

In addition to its own shares it has received an undertaking (which may be withdrawn) to accept from a holder of 4.4 per cent, understood to be the National Rivers Authority.

Viscount Runciman, the chairman, can, however, look to the 15.6 per cent stake in the hands of Runciman (Trustees). The more distant reaches of the family are thought to account for at least a further 15 per cent.

Mr Hans Eliasson, Avena's president, said there were two main reasons for shareholders to accept the cash offer.

Avena believed a substantial proportion of the company's growth in earnings per share over the last five years had come from disposal or retrenchment of loss-making operations and the recent upswing in the gas shipping market. *Possibilities* for maintaining this growth were limited, he said.

Also Runciman was highly dependent on the shipping sector, subject to large cyclical fluctuations.

Runciman has achieved steady profits growth since fighting off the £31m Telfos bid in August 1988. It lifted pre-tax profits by 47 per cent to £2.65m (£1.81m) in the six months to end-June. County NatWest analysts have been forecasting £5.5m (£4.1m) in the full-year.

Mr Eliassson confirmed market assumptions that the chief attraction of Runciman was its Tam heavy security equipment division: Avena would become the largest world player in this end of the security market if Tam were combined with its own operation. Contrary to speculation, he said he would not envisage selling the liquid gas carriers operation which forms part of the Unigas consortium.

Avena is a listed company which made pre-tax profits of about £3.2m in the first eight months of 1989. It employs about 2,000 people.

The company emerged in its present form after Mr Eliasson acquire Kullenberg, a construction and property concern, in January 1986. In May 1987 a holding, recently lifted to 100 per cent, was acquired in Rosengrens, the security products and safes company.

Runciman's two sizeable institutional shareholders are Scottish Amicable, with 8.4 per cent, and Prolific with 5.1 per cent.

THE VOLVO-RENAULT DEAL

INDUSTRIAL LOGIC

Global challenge forces car makers' alliance

By Kevin Done, Motor Industry Correspondent, in Amsterdam

THE SCALE of the competitive challenge that Renault and Volvo face in the future global automotive industry has forced the two companies to join forces.

The pace of mergers, acquisitions and alliances has been hotting up in the last year as automotive groups seek ways of spreading the cost burdens they confront to develop new products and technologies.

In the truck industry, the impact of the new Franco-Swedish alliance will be felt most immediately. Daimler-Benz of West Germany has been the leader of the world heavy truck industry, but it will now be overshadowed by the combined Volvo-Renault. Both have substantial heavy truck operations in the US, Volvo through its Volvo GM Heavy Truck Corporation, and Renault through its 45 per cent stake in the heavily lossmaking Mack.

According to Daimler-Benz, the German group produced 82,000 heavy trucks in 1988 compared with 51,000 by Volvo and 53,000 by RVI, Renault's commercial vehicle arm.

Although the Volvo and RVI truck and bus operations were both highly profitable last year, there is scope for an eventual rationalisation of the US businesses. Also, RVI faces problems with Renault Truck Industries, its UK truck operation which has lost money for several years.

Both Mr Pehr Gyllenhammar, Volvo's chairman, and Mr Raymond Lévy, his Renault counterpart, were at pains to point out yesterday that for the moment the companies would maintain their independence. As yet there is no public talk of rationalisation.

The immediate gains will come from increased purchasing power – Mr Gyllenhammar estimated the combined purchasing volume of the two groups at more than FFr100bn ($17.7bn) a year – and from shared technology, components and product development.

The two companies said they aimed to strengthen the competitiveness of their automotive operations through extensive technical and industrial co-operation. Each company would continue assembling its own cars, trucks and buses and marketing its own products.

The co-operation would be based chiefly on the co-ordination of:

- Product development programmes, particularly in advanced engineering and components.
- Purchasing operations and policies.
- Investment plans to "secure economies of scale and limit unnecessary duplication or waste of industrial resources."

In 1989 Renault produced 1.97m cars and 83,000 trucks and buses, while Volvo produced 405,000 cars and 68,000 trucks and buses.

In the car sector a successful merger may not be easy to produce, partly because of Volvo's delicate market position, which is supported by an image of safety, reliability and longevity. The two groups are in different market segments, but there could be gains from shared product development and components, particularly in the executive and upper medium sectors of the European car market.

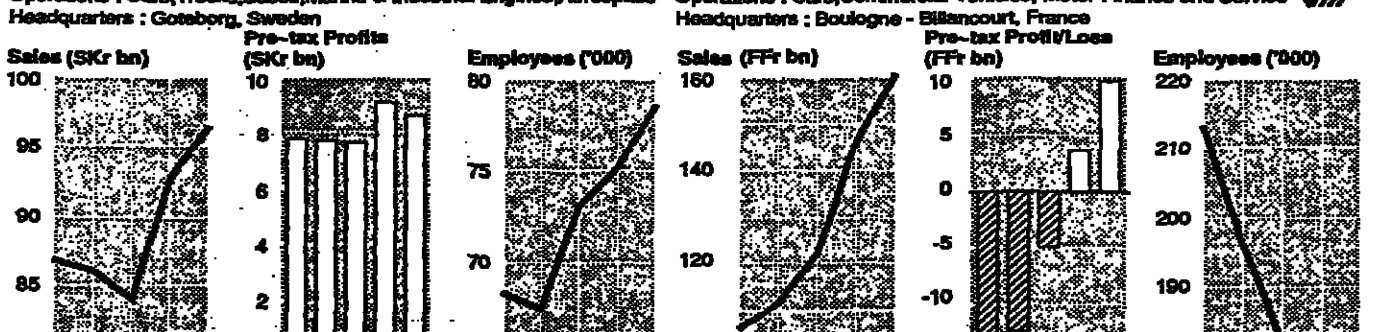
Renault is already the main provider of engines and gearbox components to Volvo Car, Volvo's Dutch associate which produces its smaller 300 and 400 series. Volvo takes V6 engines for its top of the range cars from a Renault/Peugeot joint venture in France, and Volvo also markets Renault cars and vans in the Nordic region.

Volvo VOLVO

Chairman : Pehr Gyllenhammar
West European car market share 1988 - 2.1%
Operations : Cars, Trucks, Buses, Marine & Industrial Engines; Aerospace
Headquarters : Goteborg, Sweden

Renault

Chairman : Raymond Levy
West European car market share 1988 - 10.2%
Operations : Cars, Commercial Vehicles, Motor Finance and Service
Headquarters : Boulogne - Billancourt, France



FINANCIAL TERMS

Share swaps mean Volvo pays SKr12bn

By Kevin Done

THE financial outcome of the deal is unclear, but in outline it appears that Volvo could end up paying around SKr12bn ($1.97bn) net to acquire its stakes in Renault.

Renault faces paying more than SKr4bn to SKr5bn for a 10 per cent stake in the Volvo parent company, to be bought in the open market.

Under the terms of the letter of intent agreed by the two groups, Volvo will acquire an initial 20 per cent stake in the Renault parent company, which includes the car and light commercial vehicle operations. Volvo will have an option, to be exercised within three years of the final agreement being signed, to increase this stake to 25 per cent.

The two companies have agreed a value for this part of the Renault operations of FFr34.4bn ($6.2bn).

Volvo will acquire a 45 per cent stake in Renault Vehicules Industriels (RVI), the truck and bus operations, which the two sides have valued at FFr11bn. These two parts of the plan leave Volvo paying gross an estimated SKr23bn.

Also, Renault will acquire a 45 per cent stake in the Volvo truck and bus operations, valued at SKr16bn, and 25 per cent of Volvo Car, also valued at SKr16bn.

As a result of these share exchanges Volvo faces an initial net payment of around SKr8bn to bring it to an ownership of 20 per cent of the Renault parent, and an additional later payment of around SKr4bn when it chooses to exercise its option to acquire a further 5 per cent stake in Renault.

Volvo must apply to the Swedish Government for permission to increase the percentage of non-restricted shares in the company that can be bought by foreigners to 30 per cent to make room for the Renault share purchases.

The Renault parent company into which Volvo will be buying includes finance, real estate management and other industrial activities as well as the vehicle operations.

VOLVO'S STRATEGY

Swedes gain access to EC fold

By John Burton in Stockholm

VOLVO has been cleaning out its corporate attic for the past year, holding a jumble sale of miscellaneous assets ahead of yesterday's tie-up with Renault. The latest move fulfils its quest to become a pan-European concern big enough to survive against increasing competition.

The deal reflects Volvo's renewed emphasis on the transport sector, comprising aircraft and marine engines as well as cars, trucks and buses. The company diversified unsuccessfully in the 1980s, acquiring interests in pharmaceuticals, food and energy.

The diversification was aimed at protecting Volvo against cyclical downturns in motor vehicle sales, which had been buffeted by the oil crises of the 1970s. Volvo invested heavily in the oil and gas sector, but suffered large losses. It ended its involvement in energy last April when it sold Scandinavian Trading, an oil trading business.

In December it disposed of its remaining non-core businesses when it swapped its controlling interest in Pharmacia, the Swedish drugs company, and its food division Provendor for a 42 per cent stake in Procordia, the former state holding company, in a SKr23.8bn ($3.9bn) deal.

Scandinavian Trading and Provendor accounted for 22 per cent of Volvo's sales of SKr96.6bn in 1988, but only 2 per cent of its SKr8.2bn profits after financial items.

Analysts believe the jettisoning of these poorly performing units was necessary to allow Volvo to concentrate its resources on cars and trucks when their sales and profits are weakening.

Volvo hopes to reap economies of scale from the Renault venture. Another consideration is that it gains access to new production facilities in France, strengthening its foothold in the European Community. Mr Pehr Gyllenhammar, chairman, has been worried that Volvo could face trade barriers in the EC after the formation of the single market in 1992, because Sweden is not a member. The EC takes roughly a third of Volvo's sales.

Volvo bolstered its presence in the Community following the EC's decision to form the single market, buying Leyland Bus and expanding its truck facilities.

But Volvo's merger with Renault also reflects its concerns about rising wages and worker absenteeism. As Sweden's biggest company, Volvo's decision to shift the centre of its activity to the EC could encourage other Swedish concerns to do likewise.

Pehr Gyllenhammar (left) and Raymond Lévy yesterday

CHANGES FOR RENAULT

Special status lost through tie

By George Graham in Paris

ONE BY ONE, all the symbols of the old Renault are tumbling, and the French state-owned car maker is becoming a business like any other.

In 1987 Renault returned to profit, breaking a six-year run of losses. Last year the company announced that it would close its oldest factory, at Billancourt, the cradle of French industrial communism and for decades the barometer of France's economic health.

Now Renault's exchange of share stakes with Volvo will require legislation to transform it from a régie, a special form of national institution, into an ordinary company.

Renault's status as the flagship of French nationalised industry has been such a sensitive subject that Mr Michel Rocard, the Prime Minister, thought it necessary to win the advance approval of the leaders of the Socialist Party to avoid an internal dispute over what might be seen as a partial privatisation.

This topic has been hotly debated in France since President François Mitterrand pledged in his 1988 re-election manifesto that there would in future be "neither privatisation nor renationalisation," a doctrine that has become enshrined in French political parlance as ni-ni.

Tempers are easily aroused on this topic. Renault, however, is different. Having been placed under German control in 1940, it was nationalised at the end of the war in retribution for collaboration.

After scraping along with scant profits in the late 1970s, Renault plunged into the red in 1981. By 1984 it was breaking all records with a loss of FFr12.5bn ($2.2bn).

Mr Georges Besse, who was shot dead by terrorists in November 1986, began Renault's turnround. He re-centred Renault on its core car-making business, slashing the workforce – in a company that used to boast it had never made a worker redundant – and improving productivity.

After his death Mr Raymond Lévy, current chairman, continued along the same lines.

Although Renault returned to the black in 1987, French politicians could never summon up the nerve to convert it into an ordinary limited liability company. To do so required a substantial capital restructuring, for the FFr32.5bn of losses accumulated between 1981 and 1986 would have forced an ordinary company into bankruptcy.

Mr Michel Rocard, the Prime Minister, said yesterday that the Volvo deal was not a privatisation – and that the ni-ni was not a rigid dogma.

ECONOMIC DIARY

TODAY: Mr George Bush, US President, and Mr Helmut Kohl, West German Chancellor, have talks at Camp David. The leaders of the four nation Arab Co-operation Council hold two-day summit in Amman. East German communists hold congress in East Berlin (until February 25).

TOMORROW: Nicaraguan general elections.

MONDAY: Confederation of British Industry monthly trends enquiry (February). European Community research council meeting in Brussels. British and Spanish foreign ministers hold annual talks in Madrid to discuss Gibraltar (until February 27). Poland and Israel resume full diplomatic relations. Informal peace talks on Cambodia in Jakarta.

TUESDAY: US durable goods (January). US merchandise trade, balance of payments (fourth quarter). Mr Douglas Hurd, Foreign Secretary, visits Hungary. India holds state elections in eight heartland states. Mr Charles Haughey, Irish Prime Minister, holds talks with President Bush. Institute of Directors annual convention at Royal Albert Hall.

WEDNESDAY: Central Statistical Office announces balance of payments current account and overseas trade figures (January). Department of Transport publishes figures for new vehicle registrations in January. US gross national product (fourth quarter). Financial Times conference on cable television and satellite broadcasting in London. Labour Party national executive meets. Bulgarian parliament to unveil economic recovery programme.

THURSDAY: London sterling certificates of deposit (January). Bill turnover statistics (January). Monetary statistics (including bamk and building society balance sheets). Sterling commercial paper (January). Energy trends (December). European Community social affairs ministers meet informally in Dublin.

FRIDAY: UK official reserves (February). Company liquidity survey (fourth quarter). Members of Roumania's Securitate secret police go on trial in Timisoara.

LONDON TRADED OPTIONS

A 32-point fall in the FT-SE 100 index yesterday prompted brisk business in put options, with institutional buyers coming into the market looking for protection against further declines. Turnover was also boosted by investors closing out existing positions in February FT-SE options, which expire on Wednesday.

FT-SE turnover amounted to 17,115 contracts, compared with 4,309 on Thursday, and was divided between 13,046 puts and 4,069 calls.

Yesterday's total accounted for nearly half of all options contracts traded. Usually FT-SE options account for only a quarter of a session's business. Total market volume stood at 38,549 lots, against 19,630 on Thursday.

From the outset dealing was busy as traders reacted negatively to the sharp fall in Tokyo. London opened 21 footsie points lower and soon slipped a further 11 points as dealers feared that Wall Street could be dragged lower. This prompted put buying and call selling, although dealers said the trade was not all in one direction.

However, in the FT-SE futures market prices fell back just before Wall Street opened on speculation that Salomon Brothers was set to liquidate a large share of its US equity portfolio. This triggered further put buying, although in the event US shares avoided the more bearish predictions and made only minor losses.

Indeed, just before the close, the FT-SE futures cut some of its losses on short-covering, prompting a small recovery in the underlying market. The March FT-SE futures closed 31 points lower at 2,240, having traded 5,437 contracts – equivalent to a turnover of £304m.

In the options market, larger institutions were said to have bought a total of 1,200 FT-SE contracts in the March 2,150, 2,200, and 2,250 puts. These trades were said not to be hedged in the futures market, which underlined the bearish view of the institutions involved.

Apart from the gyrations on the stock market, the other factor provoking interest in the FT-SE options was the expiry of February contracts. Dealers said this accounted for more than half of all business.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*455)	420	50	58	–	3½	12	–
	460	22	33	48	16	28	30
	500	8	16	30	47	55	57
ASDA (*104)	100	12	17	20	4	6	10
	110	7	12	14	10	12	14
Brit. Airways (*195)	180	22	24	30	4	7	9
	200	10	12	19	11	17	19
	220	3	6	11	27	31	31
[illegible]							

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*359)	330	35	53	65	5	8	10
	360	20	35	45	18	22	28

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit. Aero (*488)	460	47	61	72	18	24	29
	500	25	42	51	42	45	50
BAA (*385)	360	46	52	65	6	12	15
	390	26	35	47	18	23	26
BAT Inds	750	57	87	115	17	25	28
[illegible]							

Option		Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
Abbey Nat. (*176)	160	17	18	23	2½	4	6
	180	3	8	12	13	15	17
Amstrad (*44)	50	6	10	14	2½	5	6½
	60	2	5	9	8½	10½	13
Barclays (*550)	550	17	31	42	24	32	37
	600	4	13	25	70	70	72
Blue Circle (*222)	220	11	16	26	5	14	60
	240	–	8	15	–	27	28
British Gas	200	17	26	29	2	4	6½
[illegible]							

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Fri Feb 23 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Feb 22 Index No.	Wed Feb 21 Index No.	Tue Feb 20 Index No.
1 CAPITAL GOODS (203)	841.00	–1.4	13.45	5.07	9.06	1.62	853.10	849.14	854.71
2 Building Materials (27)	1018.06	–1.5	15.45	5.55	8.07	0.50	1033.95	1033.97	1035.50
3 Contracting, Construction (37)	1416.57	–0.9	17.34	5.58	7.55	0.67	1430.05	1429.08	1434.60
4 Electricals (10)	2350.40	–1.9	11.45	5.29	10.98	8.75	2396.64	2379.85	2420.77
5 Electronics (30)	1866.49	–1.4	9.33	3.87	13.87	10.21	1892.33	1875.54	1879.85
6 Engineering-Aerospace (8)	410.05	–1.9	14.75	5.38	8.33	0.04	417.91	414.91	417.50
7 Engineering-General (44)	453.02	–1.2	12.41	5.21	9.70	1.28	458.72	457.02	460.57
8 Metals and Metal Forming (6)	460.50	–0.2	25.61	6.53	4.41	0.00	461.64	459.47	463.71
9 Motors (16)	349.96	–1.3	15.11	6.05	7.76	0.00	354.45	356.76	360.74
10 Other Industrial Materials (25)	1518.60	–1.7	11.10	4.75	10.46	3.06	1545.80	1532.44	1548.19
21 CONSUMER GROUP (177)	1215.78	–1.5	9.28	3.91	13.48	3.05	1234.07	1232.26	1242.28
22 Brewers and Distillers (22)	1418.20	–1.6	9.85	3.71	12.53	6.54	1441.02	1442.01	1458.19
25 Food Manufacturing (19)	1044.02	–1.4	10.27	4.24	12.20	1.70	1058.34	1060.08	1074.20
26 Food Retailing (16)	2233.00	–1.4	9.09	3.40	14.28	6.99	2263.95	2265.24	2280.85
27 Health and Household (13)	2388.19	–1.5	6.55	2.74	18.17	0.20	2424.27	2400.21	2426.94
29 Leisure (33)	1506.91	–1.8	8.78	3.93	14.06	4.83	1534.33	1533.76	1551.93
31 Packaging & Paper (13)	557.85	–1.1	12.59	5.56	10.03	0.90	563.89	562.23	567.83
32 Publishing & Printing (17)	3350.46	–1.4	9.66	5.25	13.22	21.20	3397.08	3391.47	3443.94
34 Stores (31)	770.06	–1.3	11.30	4.87	11.52	1.78	780.51	778.42	782.58
35 Textiles (13)	496.16	–1.6	11.65	6.04	10.41	0.27	504.14	506.04	502.52
40 OTHER GROUPS (103)	1144.16	–1.1	11.10	4.91	10.80	0.34	1157.21	1151.71	1164.72
41 Agencies (17)	1516.21	–1.9	6.91	2.46	17.80	0.05	1545.96	1539.89	1564.09
42 Chemicals (22)	1154.57	–0.9	12.49	5.71	9.42	0.57	1165.62	1154.57	1167.18
43 Conglomerates (13)	1564.84	–1.0	11.50	6.27	10.24	0.00	1581.17	1572.84	1591.51
44 Transport (13)	2247.22	–1.0	10.77	4.28	11.83	2.88	2270.64	2259.96	2257.30
46 Telephone Networks (2)	1201.74	–0.7	13.57	4.26	12.31	0.00	1210.70	1203.30	1219.66
47 Water (10)	2838.58	–0.7	17.09	6.64	6.48	0.00	2853.31	2858.12	2856.88
48 Miscellaneous (26)	1810.42	–1.8	9.92	4.54	11.37	0.91	1843.42	1842.54	1872.67
49 INDUSTRIAL GROUP (483)	1112.64	–1.4	10.87	4.51	11.25	1.86	1127.93	1124.23	1134.88
51 Oil & Gas (17)	2340.04	–1.8	10.33	5.14	12.81	6.21	2382.74	2378.73	2404.11
59 500 SHARE INDEX (500)	1214.45	–1.4	10.79	4.60	11.46	2.20	1231.93	1228.19	1239.27
[illegible]									

Highs and Lows Index: [illegible]

FIXED INTEREST

[illegible]

INTERNATIONAL COMPANIES AND FINANCE

UAP unveils FFr10.5bn issue to fund Victoire deal

By George Graham in Paris

UNION des Assurances de Paris (UAP), the leading French state-owned insurance company, yesterday unveiled a FFr10.5bn ($1.8bn) rights issue, the largest ever on the Paris stock exchange.

The issue will help finance UAP's acquisition of a 34 per cent stake in Victoire, the insurer controlled by the Suez group, as well as its exchange of 10 per cent stakes with Banque Nationale de Paris (BNP), the largest French state-owned bank.

UAP claims about 10 per cent of the French market for non-life insurance, and 13 per cent of the life market. Mr Jean Peyrelevade, chairman, said its market share in the rest of Europe was between 1.5 and 2 per cent. He planned to double this in the next five years.

UAP will also be the first company to take advantage of new legislation which will apply the same rules to insurers as to France's other state-owned companies.

From Monday, state insurance companies will be able, like banks and industrial groups, to float up to 25 per cent of their capital on the stock market. It will also be possible, for the first time, for foreigners to buy their shares.

The company is to issue 16.8m new shares at FFr625 each. The state will subscribe for FFr3.93bn, keeping 65.8 per cent of the company, with 10 per cent more in the hands of state-controlled BNP.

This will leave FFr6.57bn to be raised on the capital markets. About FFr2bn of this is expected to be in the form of an international placing.

Mr Peyrelevade said the issue valued the entire group at FFr42bn, substantially less than the valuation of FFr50bn reached by the banks advising on the flotation.

Stockbrokers involved in the issue varied widely in their estimates of UAP's net asset value, with figures ranging from FFr870 to FFr1,050 per share. This would place the share price of FFr625 at a discount of between 28 and 40 per cent to net asset value.

Bankers involved in the international placing, led by Banque Indosuez, said last night that demand was heavy, with particularly strong interest from the UK, which is due to take 20 per cent of the international tranche.

Mr Didier Pfeiffer, UAP's managing director, said the group was expecting to make FFr3.4bn consolidated net profits in 1989, with gross premium income of FFr64bn.

MAN plans DM582m rights after expansion

By Andrew Fisher in Frankfurt

MAN, the West German truck, printing machinery and engineering group, is raising DM582m ($345m) through a rights issue of voting and preference shares to strengthen its finances and help pay for recent acquisitions.

The Munich-based company – which has recovered from its loss-making period of the early 1980s – has been expanding in its main areas, notably trucks where it has bought manufacturers in Austria and Spain.

However, its attempt to build on its diesel engine activities by acquiring the marine diesel operation of Sulzer of Switzerland has been disallowed by the Federal Cartel Office and the Economics Ministry.

MAN will issue new voting shares at DM320 each – yesterday's closing price was DM440 – and preference shares at DM255, both on a one-for-seven basis. The subscription period is from March 6 to March 20.

The group expects a further rise in profits and dividend in the current financial year to June 30, after a 28 per cent increase to DM254m in group net income in 1988/89 and a payment to shareholders of DM8 (DM6.50). The new shares will be entitled to half of this year's dividend.

Sharp interim fall at Elders IXL

By Chris Sherwell in Sydney

HEFTY PROVISIONS by Elders IXL's finance and investment arm have caused a sharp plunge in interim profits for the Australian brewing-based conglomerate headed by Mr John Elliott.

In a separate announcement, Elders confirmed it was at "an advanced stage in negotiations on a major transaction" with Grand Metropolitan of the UK. It gave no details but the deal is thought to involve a pubs-for-breweries arrangement.

The group's figures for the six months to December, released yesterday, showed an equity accounted after-tax profit of A$163.9m (US$126m), down almost half on the A$305.4m reported in the corresponding period a year earlier.

The group's operating profit before abnormal items was A$286.8m, marginally ahead of the previous figure, on revenues up 6.7 per cent at A$9.03bn.

But these earnings were reduced by provisions of A$88m on Elders Finance's lending and its broking arm investment, and of A$35m for holding costs on the group's 23.6 per cent stake in Scottish & Newcastle breweries of the UK.

Elders said it would delay a planned announcement on its proposed restructuring until the GrandMet negotiations were finalised and had regulatory approval.

The restructuring is believed to involve Elders losing its agribusiness, finance and resources divisions to create a pure brewing company.

MR John Elliott, Elders IXL chief and president of Australia's opposition Liberal Party, is suing Mr Bob Hawke, the Prime Minister, and the Australian Broadcasting Corporation for defamation over reports that crime authorities are investigating Mr Elliott's business dealings, writes Chris Sherwell.

An unconfirmed report circulating widely in Australia that transactions involving Mr Elliott's private company, Harlin, are under investigation by the National Crime Authority has proved to be another factor overshadowing Elders' restructuring announcement.

The report surfaced earlier this week, coinciding with Australian election campaigns. Mr Elliott yesterday repeated his denials of any wrongdoing.

In related developments the Business Council of Australia, a grouping of prominent chief executives, called on the Government to confirm or deny the report and Mr Andrew Peacock, the opposition leader, said he would be inspecting "relevant documents" under a government offer.

Commenting on the Elders results, Mr Elliott said they were "disappointing but explainable."

The brewing division achieved a strong 26 per cent increase in profits before interest and tax, with worldwide sales of Foster's up 15 per cent on 1988 levels.

Against this, earnings from agribusiness, finance, investments and resources were all down.

Directors declared an unfranked interim dividend of 8.5 cents a share, up from an adjusted 8.14 cents last time. Elders shares dipped 14 cents to A$2.28 on a day when the market as a whole weakened.

● Elders Agribusiness is to divest its grain division, selling assets in the US, Canada, the UK, New Zealand and Australia, Reuter adds.

The company is to concentrate on farm services, wool processing and trading, beef processing and marketing, and brewing materials.

UBS to reshape capital structure

By John Wicks in Zurich

UNION BANK of Switzerland (UBS) is planning to streamline its capital structure by withdrawing participation certificates and revising company regulations governing the recognition of registered share holders.

The bank, however, will not follow the example set earlier this week by Ciba-Geigy, the Swiss chemicals group, and open its register to non-resident foreigners.

At the April 25 annual meeting shareholders will also be asked to approve increased dividends and a capital increase of SFr400m ($272m).

As for registered shares, the bank proposes laying down definitive rules for registration. The board now has the right to refuse this without giving specific reasons.

To "preserve the character of UBS as a Swiss-controlled public company," registration will be limited to Swiss nationals, foreigners with permanent residence in Switzerland, Swiss-controlled legal persons or partnerships with registered offices in Switzerland.

The maximum individual stake in registered-share capital is to be fixed at 5 per cent.

The withdrawal of non-voting participation certificates is intended to "simplify capital structure, increase transparency and improve the liquidity of UBS equities on stock markets."

Net earnings of UBS, rose last year by 15.9 per cent to a record SFr902.2m. Net commission income rose 20.6 per cent to SFr309m and that from foreign exchange and precious metals trading by 16.2 per cent to a new high of SFr551m.

Net interest remained almost unchanged at SFr1.71bn, as did income from permanent holdings at SFr76m. Securities trading income fell 3 per cent to SFr454m.

The parent bank's balance sheet expanded by 5.7 per cent to SFr176.1bn, with loans to clients up 21 per cent to SFr102.5bn and the due-from-banks figure down 15.4 per cent to SFr44.2bn.

On the liabilities side, clients' deposits increased by 5.4 per cent to SFr103.6bn and the due-to-banks total by 7.8 per cent to SFr46.1bn.

For the first time, UBS has published a group balance sheet. For the parent bank plus 17 subsidiaries, consolidated assets rose in 1989 from SFr197.7bn to SFr214.1bn.

The board is proposing dividend increases from SFr120 to SFr135 per bearer share, from SFr24 to SFr27 per registered share and from SFr4.80 to SFr5.40 per participation certificate.

Victoria state bank's debt provisions soar

By Chris Sherwell

DISASTROUS lending by Tricontinental, the former merchant banking arm of the State Bank of Victoria, has lifted the total amount of bad and doubtful debts in the government-owned group to about A$1.03bn (US$792m).

This is an increase of almost A$600m on the provisions of A$450m reported six months ago, and will be an embarrassment both for the state's Labor government, headed by Mr John Cain, and its Federal counterpart, now fighting a general election.

The state government said it would be assuming responsibility for payments due on A$795m in loans, and that seven of the bank's eight directors, including its chairman and chief executive, were leaving their posts.

The bank's abject performance is worse than that of other poorly performing local merchant banks, such as Elders Finance and Partnership Pacific, and their foreign counterparts such as Kleinwort Benson of the UK and the Bank of New Zealand – all of which have changed their business.

It follows debacles at other Victoria State government institutions such as the Victorian Economic Development Corporation and its offshoot, the Victorian Investment Corporation. Labor already has a record of mismanagement in Western Australia, with which the latest disasters are being compared.

Tricontinental was headed by Mr Ian Johns, who is on trial on charges arising from the bank's lending. It was known to be a lender to such collapsed Australian and New Zealand entrepreneurial groups as Equiticorp, Qintex, Hooker, businessman Mr Abe Goldberg and the National Safety Commission of Victoria, whose operations are also under court scrutiny.

The state government said yesterday that the bank was now prohibited from involvement in entrepreneurial banking, and that it would be monitored by the Reserve Bank.

It also insisted that the bank's traditional operations remained profitable and that its future was secure.

Klöckner to resume payout after advance

By David Marsh in Bonn

KLOECKNER-WERKE, the West German steel and capital goods maker, is to resume dividend payments after lifting operating profits to DM375m ($225.9m) in the year ended September 30, from DM130m in 1987/88.

The company, which has recovered from operating profits of only DM1m in 1986/87 – caused by the bankruptcy of its Maxhuette works in Bavaria – said the current business year was likely to show a further increase in profits.

Klöckner said this meant there were "no recognisable barriers" in the way of resuming dividend payouts. It gave no further details. The company last paid a dividend in 1974/75, before a run of problems connected with restructuring in the steel sector.

Better operating results last year stemmed from high international demand, good capacity utilisation and cost-cutting efforts. The steel division contributed most to the increase.

Revised Pfizer earnings tumble 38%

By Karen Zagor in New York

PFIZER, the big US drugs company, yesterday revised its 1989 earnings downwards to show a 38 per cent drop in net profits for the fourth quarter, from a previously announced decline of 8 per cent.

The restated figures reflect the company's planned sale of its pigments business, which will reduce Pfizer's assets by $70m before tax. Shares in Pfizer dropped $3⅝ to $56 on the news in heavy trading on the New York Stock Exchange.

The restated results give Pfizer net income for the 1989 fourth quarter of $87.1m or 52 cents a share, against previously announced earnings of $133.3m or 79 cents. In the fourth quarter of 1988 Pfizer had net income of $142m or 84 cents a share.

For the whole of 1989 the New York-based company had net income of $681.1m or $4.04, revised down from $727.3m or $4.31.

A year earlier Pfizer's net income was $791m or $4.70 a share. Sales for 1989 were about $5.7bn.

Perrier faces lawsuit from US consumers

By Alan Friedman in New York

PERRIER, the French mineral water company that last week began a worldwide recall of its benzene-contaminated product, was yesterday hit by its first US lawsuit as lawyers representing consumers filed for millions of dollars of damages.

The lawsuit, filed in Connecticut where Perrier's US subsidiary is based, accuses the company of knowingly selling contaminated water.

The action charges that Perrier officials first insisted that the contamination was limited to a few bottles and that the problem was caused by a lone Perrier worker who inadvertently contaminated a bottling machine by cleaning it with benzene, knowing the problem to be different.

Perrier subsequently said that the problem was broader.

Gardini allies acquire Enimont stakes

By Haig Simonian in Milan

THE BATTLE for control of Enimont, the Italian chemicals joint venture, has taken a further twist with the confirmation that investors allied to Mr Raul Gardini have acquired more than 10 per cent of the group's outstanding shares.

Mr Gardini heads Montedison, the quoted chemicals company which holds 40 per cent in the venture alongside Eni, the Italian state-owned energy concern, which has a similar-sized stake. The remaining 20 per cent of Enimont's capital was floated in an international equity issue last year.

Prudential Bache, the US investment bank which has assisted Mr Gardini in a number of previous transactions, confirmed it had bought 5 per cent of Enimont's stock, while a further 4 per cent is held by Société Centrale d'Investissement, the French holding company of Mr Jean-Marc Vernes, a long-standing associate of Mr Gardini's.

Meanwhile, a stake of just over 1 per cent has been purchased by Mr Gianni Varasi, an Italian financier who has worked closely with Mr Gardini in the past.

On Thursday night an inner cabinet meeting scheduled to discuss policy regarding the joint venture was put off at short notice, reflecting the increasing friction within Italy's five-party coalition government over the issue.

The inner cabinet is due to meet on Tuesday, the same day a crucial assembly of Enimont's minority shareholders opens in Milan to appoint two new directors. Failing further steps by the Government, the minority shareholders could elect directors sympathetic to Mr Gardini's views.

Simmons names Lockheed candidates

MR Harold Simmons, the billionaire corporate raider from Dallas who is planning a proxy fight for control of the board of Lockheed, is proposing a 15-member slate of candidates that includes former Senator John Tower of Texas, writes Alan Friedman.

Mr Tower is the controversial Republican politician whose nomination as the Bush Administration's Secretary of Defence failed last year after allegations of alcoholism and womanising.

The candidates' names were revealed in a filing with the US Securities and Exchange Commission (SEC).

Mr Simmons has spent more than $500m building up an 18.9 per cent equity stake in Lockheed, the big defence contractor. His request for six board seats at Lockheed was rejected by the company earlier this month.

Among the candidates put forward by Mr Simmons, whose dealings in Lockheed shares are being probed by the SEC, are retired Navy admiral Elmo Zumwalt, retired Air Force general Earl O'Loughlin and Mr Hans Michael Mark, chancellor of the University of Texas, who once served as Secretary of the Air Force.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989/90	Low 1989/90
Gold per troy oz.	$416	-1.75	$389.25	$420.25	$356.5
Silver Per troy oz	307.25p	-8.40	338.30p	378.15p	307.25p
Aluminium 99.7% (cash)	$1495	-12	$2195	$2610	$1394.5
Copper Grade A (cash)	£1431	-4	£1895	£1982.5	£1301
Lead(cash)	£515	+68	£344.5	£515	£337
Nickel (cash)	$7775	-62.5	$18950	$19350	$5887.5
Zinc SHG (cash)	$1454.5	+4	$2025	$2107.5	$1265
Tin (cash)	$6415	+195	£4675	$10760	$6210
Cocoa Futures (May)	£655	+19	£863	£947	£622
Coffee Futures (May)	£636	+16	£1128	£1270	£572
Sugar (LDP Raw)	$354.6	-3.4	$265	$381.0	$235.8
Barley Futures (May)	£107	-1.15	£112.25	£113.85	£100.95
Wheat Futures (May)	£114.7	-0.85	£116.75	£121.65	£104.7
Cotton Outlook A Index	78.10c	-0.15	82.35c	84.95c	61.35c
Wool (64s Super)	548p		647p	710p	548p
Oil (Brent Blend)	$19.275z	-0.35	$16.875	$21.975	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg, c-cents lb. z-Apr.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.30-6.40z	-0.05
Brent Blend	$19.25-9.30z	-0.10
W.T.I. (1 pm est)	$21.60-1.65z	-0.08
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-225	+2
Gas Oil	$170-171	-3
Heavy Fuel Oil	$89-91	+0.5
Naphtha	$185-187	-5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$416	-1.75
Silver (per troy oz)♣	527c	-2
Platinum (per troy oz)	$522.4	-3.5
Palladium (per troy oz)	$135.5	-1.25
Aluminium (free market)	$1485	
Copper (US Producer)	119⅝-23½c	+1½
Lead (US Producer)	43c	+1.5
Nickel (free market)	335c	
Tin (Kuala Lumpur market)	16.49r	+0.07
Tin (New York)	295c	+8
Zinc (US Prime Western)	66¾c	+¼
Cattle (live weight)†	109.58p	+0.24*
Sheep (dead weight)†	206.30p	-0.65*
Pigs (live weight)†	97.62p	+2.99*
London daily sugar (raw)	$354.6x	+0.8
London daily sugar (white)	$430.0x	+1.5
Tate and Lyle export price	£322.0	+1.5
Barley (English feed)	£111.5w	+0.5
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£127	
Rubber (Apr)♥	55.50p	+0.25
Rubber (May)♥	56.25p	+0.25
Rubber (KL RSS No 1 Mar)	229.5m	
Coconut oil (Philippines)§	$382.5t	-2.5
Palm Oil (Malaysian)§	$280w	-5
Copra (Philippines)§	$225	
Soyabeans (US)	£157	
Cotton "A" index	78.10c	-0.15
Wooltops (64s Super)	548p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Jan/Mar. w-Mar. z-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL – IPE	Latest	Previous	High/Low	$/barrel
Apr	19.24	19.35	19.29	19.16
May	19.30	19.33	19.34	19.17
Jun	19.28	19.27	19.29	19.18
IPE Index	19.46	19.55		

Turnover: 5710 (5218)

COCOA – London FOX	Close	Previous	High/Low	£/tonne
Mar	638	635	640	636
May	655	648	655	649
Jul	688	660	669	663
Sep	683	676	685	679
Dec	708	701	708	704
Mar	726	720	726	724
May	742	735	742	738

Turnover: 8561 (9192) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 22 803.45 (793.14) 10 day average for Feb 23 773.25 (766.83)

COFFEE – London FOX	Close	Previous	High/Low	£/tonne
Mar	623	615	630	611
May	636	627	644	624
Jul	646	637	655	635
Sep	659	650	665	650
Nov	673	661	678	666
Jan	690	677	696	685
Mar	695	695	710	695

Turnover: 7703 (5824) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 22: Comp. daily 70.89 (70.42). 15 day average 65.80 (65.23)

SUGAR – London FOX	Close	Previous	High/Low	($ per tonne)
Raw				
Mar	320.60	326.40	325.40	320.00
May	323.00	328.00	327.80	322.00
Aug	321.00	326.80	326.00	320.60
Oct	313.00	317.60	317.40	312.40
Dec	311.40	311.00	310.00	
Mar	289.40	295.00	295.40	288.40
White				
May	424.0	427.0	425.5	423.0
Aug	423.0	426.5	424.5	422.0
Oct	391.9	393.0	392.5	390.5
Dec	369.5	371.0	370.6	369.0

Turnover: Raw 2865 (5312) lots of 50 tonnes. White 925 (1200)
Paris- White (FFr per tonne): May 2420, Aug 2425, Oct 2280, Dec 2155, Mar 2160, May 2155.

GAS OIL – IPE	Latest	Previous	High/Low	$/tonne
Mar	169.00	169.00	169.00	167.00
Apr	165.00	165.75	165.25	163.25
May	163.50	163.75	163.50	161.75
Jun	163.25	163.25	163.25	161.00
Jul	164.75	164.00	162.75	162.50
Aug	165.50	163.00	163.00	
Sep	168.00		166.75	166.00

Turnover 4079 (3773)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,650 tonne
Cash	1494-6	1482-5	1493/1480	1479-80		
3 months	1497-8	1488-90	1495/1480	1485-6	1496-7	38,903 lots
Copper, Grade A (£ per tonne)						Ring turnover 39,350 tonne
Cash	1430-2	1443-4	1437/1430	1438-9		
3 months	1424-5	1432-3	1431/1422	1430-1	1421-3	69,236 lots
Lead (£ per tonne)						Ring turnover 10,525 tonne
Cash	510-20	510-5	510/500	508-10		
3 months	431-2	439-40	439/430	433-4	430-2	10,513 lots
Nickel ($ per tonne)						Ring turnover 1,740 tonne
Cash	7780-800	7390-400		7675-700		
3 months	7725-50	7350-75	7775/7600	7690-710	7710-25	6,686 lots
Tin ($ per tonne)						Ring turnover 930 tonne
Cash	6405-25	6240-50		6285-90		
3 months	6530-50	6370-5	6550/6390	6410-20	6550-60	4,808 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 15,600 tonne
Cash	1452-7	1452-7	1445	1448-9		
3 months	1437-40	1438-40	1438/1429	1432-4	1435-7	18,287 lots
Zinc ($ per tonne)						Ring turnover 2,700 tonne
Cash	1445-55	1455-65		1440-50		
March 30	1420-30	1435-45		1415-25		524 lots

LME Closing £/$ rate: SPOT: 1.7075 3 months: 1.6803 6 months: 1.6567 9 months: 1.6315

POTATOES – BFE	Close	Previous	High/Low	£/tonne
Apr	189.0	186.0	191.5	186.0
May	222.5	224.0	225.0	218.0
Apr	140.0	140.0	140.0	139.0

Turnover 369 (340) lots of 40 tonnes.

SOYABEAN MEAL – BFE	Close	Previous	High/Low	£/tonne
Apr	125.00	125.00	126.00	125.00
Jun	121.00	122.00	121.00	
Aug	120.50		120.50	
Dec	129.00		129.00	

Turnover 85 (240) lots of 20 tonnes.

FREIGHT FUTURES – BFE	Close	Previous	High/Low	$10/index point
Feb	1599	1598	1605	1599
Mar	1650	1643	1652	1645
Apr	1660	1655	1662	1655
Jul	1392	1383	1403	1390
Oct	1495	1490	1498	1495
Jan	1500		1500	
BFI	1591	1591		

Turnover 272 (296)

GRAINS – BFE	Close	Previous	High/Low	£/tonne
Wheat				
Mar	111.70	111.90	111.75	111.60
May	114.70	115.00	114.75	114.65
Jun	116.75	117.20	116.75	116.65
Sep	106.20		106.15	
Nov	109.05		109.05	108.85
Barley				
Mar	104.25	104.60	104.60	104.25
Sep	103.65		103.65	
Nov	106.90		106.90	106.70

Turnover: Wheat 237 (146), Barley 64 (27). Turnover lots of 100 tonnes.

PIGS – BFE	Close	Previous	High/Low	(Cash Settlement) p/kg
Jun	120.5	121.5	120.5	119.5
Oct	121.0		120.0	

Turnover 129 (21) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	415¾-416¼	243¾-244¼
Opening	414¾-415¼	243¼-243¾
Morning fix	416.00	243.077
Afternoon fix	415.85	243.515
Day's high	418-418½	
Day's low	414½-415	

Coins	$ price	£ equivalent
Mapleleaf	428-433	250-252
Britannia	428-433	250-252
US Eagle	428-433	250-252
Angel	428-433	250-252
Krugerrand	415-418	243-245
New Sov.	98-99	57-58
Old Sov.	98-99	57-58
Noble Plat	528.70-538.45	311.30-316.20

Silver fix	p/fine oz	US cts equiv
Spot	307.25	525.15
3 months	318.80	535.75
6 months	330.15	546.90
12 months	353.45	569.90

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	98	114	2	17
1500	24	53	27	54
1600	2	19	104	118
Copper (Grade A)	**Calls**		**Puts**	
2300	143	153	5	54
2400	66	98	27	97
2500	10	58	81	155
Coffee	**May**	**Jul**	**May**	**Jul**
600	51	66	16	20
670	25	39	40	43
700	10	21	75	76
Cocoa	**May**	**Jul**	**May**	**Jul**
600	61	77	6	10
650	27	43	22	26
700	9	21	54	54
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	22	69	18	47
1950	18			76
2000	5			108

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Feb	415.0	415.7	417.4	416.0
Mar	415.5	416.3	415.0	415.0
Apr	418.2	419.0	421.1	417.5
Jun	423.9	424.7	426.5	423.3
Aug	429.3	430.1	431.0	428.5
Oct	434.7	435.4	435.3	434.5
Dec	440.1	440.8	442.0	440.0
Feb	445.8	446.5	0	0
Apr	451.2	451.9	452.5	452.5

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Feb	523.8	526.8	526.0	526.0
Mar	524.0	527.3	528.0	523.5
Apr	528.3	531.6	0	0
May	532.5	535.8	536.5	532.1
Jul	540.8	544.1	545.0	540.1
Sep	549.4	552.7	554.0	548.5
Dec	561.2	564.6	566.0	562.0
Jan	564.7	568.1	0	0
Mar	573.3	576.8	578.0	575.0
May	581.6	585.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Feb	115.60	116.20	116.60	114.70
Mar	114.00	114.80	114.60	113.15
Apr	110.90	111.20	110.00	110.00
May	107.50	108.00	107.90	106.40
Jun	105.56	105.90	104.90	104.90
Jul	103.95	104.20	104.10	103.00
Aug	103.05	103.00	0	0
Sep	102.00	101.80	102.20	101.20
Oct	101.40	101.20	0	0
Nov	100.70	100.50	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Feb	522.0	520.1	0	0
Apr	526.5	526.1	528.5	524.0
Jul	531.3	531.0	533.0	529.7
Oct	537.1	536.8	537.0	535.0
Jan	543.5	543.1	543.0	541.0
Apr	550.1	549.4	553.0	553.0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 23	Feb 22	mnth ago	yr ago
1829.2	1826.4	1783.5	1910.2

DOW JONES (Base: Dec. 31 1974 = 100)	Feb 22	Feb 21	mnth ago	yr ago
Spot	131.45	130.57	127.54	137.38
Futures	132.96	132.78	129.77	139.43

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Apr	21.52	21.75	21.88	21.45
May	21.55	21.73	21.67	21.50
Jun	21.50	21.59	21.59	21.47
Jul	21.28	21.32	21.35	21.23
Sep	20.90	20.88	20.93	20.77
Oct	20.88	20.79	20.91	20.70
Nov	20.90	20.74	20.93	20.70
Dec	20.86	20.71	20.90	20.65
Jan	20.87	20.69	20.90	20.66

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Mar	5775	5815	5795	5750
Apr	5695	5698	5715	5635
May	5605	5596	5640	5535
Jun	5510	5496	5540	5450
Jul	5500	5486	5520	5455
Aug	5575	5546	5590	5520
Sep	5695	5660	5700	5630
Oct	5760	5725	5760	5725

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Mar	1059	1046	1060	1040
May	1044	1039	1046	1027
Jul	1047	1046	1049	1035
Sep	1061	1056	1062	1050
Dec	1087	1084	1090	1075
Mar	1107	1098	1107	1095
May	1118	1113	1110	1110
Jul	1138	1133	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Mar	91.55	91.16	92.45	91.00
May	92.87	93.28	94.40	92.20
Jul	93.88	94.54	95.60	93.80
Sep	95.89	96.47	97.10	95.10
Dec	98.00	98.50	99.00	97.25
Mar	100.00	100.25	101.00	99.70
May	101.00	100.50	101.00	101.00
Jul	103.50	101.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	14.48	14.73	14.73	14.45
May	14.56	14.85	14.83	14.54
Jul	14.46	14.70	14.70	14.42
Oct	14.07	14.32	14.28	14.05
Mar	13.40	13.60	13.55	13.38
May	13.25	13.45	0	0
Jul	13.30	13.33	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Mar	68.75	68.60	68.75	68.10
May	70.48	70.47	70.50	69.85
Jul	70.80	70.77	70.85	70.25
Oct	66.58	66.90	66.85	66.60
Dec	65.11	65.50	65.60	65.05
Mar	65.80	66.10	66.35	65.80

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	196.50	198.20	199.25	196.50
May	193.05	194.25	194.20	192.20
Jul	190.10	191.75	190.75	189.60
Sep	186.25	187.85	186.50	185.65
Nov	183.00	185.35	183.35	181.00
Jan	180.25	182.45	180.25	180.25
Mar	180.25	181.95	0	0
May	180.25	181.85	0	0
Jul	180.25	181.85	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Mar	565/2	568/0	569/0	565/0
May	577/6	580/2	581/4	577/4
Jul	588/6	591/2	592/2	588/4
Aug	591/2	594/2	595/4	591/0
Sep	590/4	592/4	593/4	590/4
Nov	595/6	597/4	599/0	595/0
Jan	605/4	607/4	608/0	604/6
Mar	615/4	617/4	617/2	613/2

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	20.67	20.52	20.69	20.36
May	20.87	20.66	20.90	20.61
Jul	20.99	20.81	21.00	20.72
Aug	20.88	20.70	20.88	20.68
Sep	20.75	20.55	20.80	20.51
Oct	20.55	20.35	20.55	20.40
Dec	20.49	20.37	20.55	20.32
Jan	20.35	20.30	20.35	20.35
Mar	20.30	20.15	20.40	20.30

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Mar	161.8	164.0	164.5	161.6
May	165.6	167.5	168.0	165.3
Jul	169.6	171.5	172.0	169.4
Aug	171.5	173.2	173.6	171.5
Sep	173.5	175.2	175.5	173.0
Oct	176.0	176.6	177.0	175.0
Dec	178.0	179.4	179.9	177.6
Jan	179.5	181.0	181.0	179.5
Mar	181.0	0	181.0	181.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Mar	245/6	245/0	246/2	244/4
May	253/2	252/4	253/6	251/6
Jul	258/0	257/2	258/4	256/6
Sep	256/4	256/2	257/0	254/6
Dec	254/6	253/2	255/2	252/6
Mar	260/6	259/4	261/0	258/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Mar	394/0	389/4	394/0	388/4
May	366/6	366/2	367/0	364/2
Jul	346/6	345/2	347/0	344/0
Sep	353/0	351/0	353/0	350/2
Dec	364/6	363/0	365/0	362/4
Mar	372/0	370/4	372/0	370/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Apr	76.65	75.55	75.75	75.20
Jun	70.42	70.85	70.97	70.35
Aug	70.12	70.27	70.45	70.02
Oct	72.50	72.77	72.75	72.37
Dec	73.00	73.20	73.12	72.85
Feb	73.00	72.97	73.00	72.95

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Apr	49.15	48.65	49.20	48.65
Jun	54.62	54.20	54.75	54.10
Jul	54.15	53.92	54.22	53.60
Aug	52.12	52.08	52.37	52.00
Oct	47.10	47.07	47.27	46.90
Dec	47.40	47.50	47.75	47.25
Feb	47.90	47.82	47.97	47.75
Apr	46.20	46.72	0	46.20

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Mar	54.25	54.15	55.17	53.65
May	55.77	55.47	56.70	54.80
Jul	56.82	55.77	57.45	55.50
Aug	54.20	53.75	55.70	53.95
Feb	57.90	57.52	59.45	57.60
Mar	58.00	55.60	58.60	58.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen slides despite intervention

THE JAPANESE yen came under further pressure yesterday and finished lower against most major currencies, in spite of central bank support. The currency found itself in a vicious circle of decline prompted by another sharp fall of equity prices in Tokyo. The fragile state of the stock market led to doubts that the Bank of Japan - already in dispute with the Japanese Finance Ministry over interest rate policy - would feel justified in defending the yen with a rise in its discount rate.

Intervention by the Bank of Japan was estimated at around $500m, but it failed to prevent the yen from weakening, as the market regarded the central bank's room for manoeuvre as severely limited by the situation regarding equity prices. The Bank of Japan sold dollars at Y146.20 soon after the Tokyo opening, and later at Y146.40, but the US currency rose to 146.45 at the close of trading in the Far East.

In London the Bank of England stepped in, on behalf of the Bank of Japan, buying yen against the dollar at around Y146.90. Later in New York the US Federal Reserve intervened to buy yen at Y146.90 and 146.85.

At the close in London the Japanese currency remained very weak, with the dollar rising to Y146.95 from Y145.90 on Thursday.

The dollar was also strong against European currencies, boosted by speculation that German monetary union will prove inflationary. This pushed the dollar up against the D-Mark, to finish in London at DM1.6780 against DM1.6700 previously. The US currency also advanced to SFr1.4770 from SFr1.4720 and to FFr5.6825 from FFr5.6575. On Bank of England figures its index rose to 67.1 from 66.8.

The D-Mark rose to Y87.55 from Y87.35 against the depressed yen, but was weaker in terms of sterling and several of its partners in the European Monetary System. In Milan the Bank of Italy bought DM86.5m at the fixing as the lira traded at its highest level against the D-Mark since early December. This pulled the lira down slightly, and at the London close the D-Mark had improved to L739.55 from L739.35. In Paris the French franc was fixed at a four-month high against the D-Mark, but was the weakest EMS currency, hovering around its cross rate limit against the lira.

Sterling fell 55 points to $1.7090, but was strong against European currencies. Dealers said demand for the pound increased on rumours that the weekend press will claim that sterling is about to join the Exchange Rate Mechanism of the EMS. The pound climbed to DM2.8675 from DM2.8625; to FFr9.7125 from FFr9.7000; to Y251.25 from Y250.25 and to SFr2.5250 from SFr2.5225. Sterling's index eased 0.1 to 90.2.

£ IN NEW YORK

Feb.23	Latest	Previous Close
£ Spot	1.7110-1.7120	1.7130-1.7140
1 month	0.87-0.86pm	0.87-0.86pm
3 months	2.75-2.72pm	2.80-2.77pm
12 months	9.70-9.60pm	9.80-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7090	1.7004	1.6818	1.6568	1.6128
D-mark	2.8675	2.8526	2.8227	2.7858	2.7202
French Fr.	9.7125	9.6807	9.6156	9.5365	9.3986
Swiss Fr.	2.5250	2.5137	2.4899	2.4583	2.3990
Yen	251.25	249.65	246.65	242.37	235.17

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7035 - 1.7095	1.7085 - 1.7095	0.87-0.85cpm	6.04	2.74-2.71pm	6.38
Ireland†	1.5815 - 1.5855	1.5820 - 1.5830	0.42-0.37cpm	3.00	1.51-1.41pm	3.69
Canada	1.1945 - 1.2020	1.1960 - 1.1970	0.42-0.44cdis	-2.58	1.37-1.42dis	-2.79
Netherlands	1.8850 - 1.8925	1.8895 - 1.8905	0.07-0.09cdis	-0.51	0.29-0.32dis	-0.65
Belgium	34.75 - 35.00	34.90 - 35.00	2.00-8.00cdis	-1.72	12.00-22.00dis	-1.37
Denmark	6.43½ - 6.46¾	6.44¼ - 6.44¾	1.80-2.00oredis	-3.54	6.05-6.55dis	-3.91
W. Germany	1.6730 - 1.6810	1.6775 - 1.6785	0.04-0.02pfpm	0.21	0.04-0.07dis	-0.13
Portugal	147.20 - 147.60	147.45 - 147.55	77-87cdis	-6.67	310-335dis	-8.74
Spain	108.08 - 108.25	108.00 - 108.10	47-52cdis	-5.50	166-174dis	-6.30
Italy	1237 - 1241¼	1240¼ - 1241¼	3.80-5.80liredis	-4.65	15.00-16.00dis	-4.69
Norway	6.45½ - 6.47¾	6.46¾ - 6.47	1.45-1.70oredis	-2.92	4.90-5.30dis	-3.15
France	5.66¾ - 5.68¾	5.68 - 5.68½	0.95-1.00cdis	2.06	3.50-3.60dis	-2.50
Sweden	6.07 - 6.11	6.07¾ - 6.08	3.20-3.35oredis	-6.46	10.10-10.65dis	-6.83
Japan	146.45 - 147.35	146.90 - 147.00	0.19-0.17ypm	1.47	0.39-0.36pm	1.02
Austria	11.80¼ - 11.83½	11.81¾ - 11.82¼	0.35pm-0.05gdis	0.15	0.10-1.40dis	-0.25
Switzerland	1.4710 - 1.4785	1.4765 - 1.4775	0.07-0.09cdis	-0.65	0.29-0.34dis	0.86
ECU	1.2175 - 1.2215	1.2180 - 1.2190	0.24-0.23cpm	2.31	0.86-0.83pm	2.77

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.85-34.95.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7035 - 1.7095	1.7085 - 1.7095	0.87-0.85cpm	6.04	2.74-2.71pm	6.38
Canada	2.0390 - 2.0530	2.0485 - 2.0495	0.31-0.24cpm	1.61	0.96-0.83pm	1.75
Netherlands	3.21¼ - 3.23½	3.22½ - 3.23½	1½-1⅜cpm	5.57	4⅜-4⅛pm	5.80
Belgium	59.40 - 59.80	59.70 - 59.80	27-16cpm	4.32	77-58pm	4.52
Denmark	10.98¼ - 11.03¾	11.01 - 11.02	2⅞-2¼orepm	2.66	7½-6¾pm	2.52
Ireland	1.0755 - 1.0856	1.0780 - 1.0790	0.30-0.25ppm	3.06	0.85-0.75pm	2.97
W. Germany	2.85¼ - 2.87¼	2.86½ - 2.87	1½-1⅜pfpm	6.02	4½-4⅜pm	6.36
Portugal	251.00 - 252.50	251.50 - 252.50	3-21cdis	-0.57	111-156dis	-2.12
Spain	183.40 - 185.05	183.40 - 183.70	12-2cpm	0.46	18-5pm	0.25
Italy	2115¼ - 2121¼	2120¼ - 2121¼	4-2lirepm	1.70	11-9pm	1.89
Norway	11.01¼ - 11.05¼	11.04¾ - 11.05¾	3¼-2⅝orepm	3.12	9⅝-9¼pm	3.39
France	9.68¾ - 9.72¼	9.70¼ - 9.71¼	3⅝-3⅛cpm	4.02	9⅞-9⅜pm	4.02
Sweden	10.37 - 10.41¾	10.38¾ - 10.39¾	⅛-⅜oredis	-0.22	⅛-⅝dis	-0.10
Japan	250¼ - 251¼	250¾ - 251¾	1⅝-1½ypm	7.46	4⅝-4½pm	7.46
Austria	20.12 - 20.20	20.17 - 20.20	10¾-9⅞gropm	6.13	32¼-29½pm	6.11
Switzerland	2.51¼ - 2.53	2.52 - 2.53	1¼-1⅛cpm	6.83	3⅝-3½pm	8.02
ECU	1.3905 - 1.4000	1.3990 - 1.4000	0.44-0.41cpm	3.64	1.28-1.23pm	3.59

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.60-59.70 Six-month forward dollar 5.25-5.20cpm 12 months 9.67-9.57cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6106	+1.05	+0.94	±1.5508
Danish Krone	7.79845	7.87108	+0.93	+0.82	±1.6453
German D-Mark	2.04446	2.04594	+0.07	-0.04	±1.1762
French Franc	6.85684	6.93178	+1.09	+0.98	±1.3618
Dutch Guilder	2.30358	2.30441	+0.04	-0.07	±1.5272
Irish Punt	0.763159	0.770151	+0.92	+0.81	±1.6689
Italian Lira	1529.70	1513.69	-1.05	-1.16	±1.5162
Spanish Peseta	132.889	131.918	-0.73	-0.84	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Feb 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	15-14⅞	15⅛-14⅞	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅞-8⅜	8⅞-8⅞
Can. Dollar	12⅝-12½	12⅝-12½	12⅝-12½	12⅝-12½	12⅝-12½	12⅝-12½
D. Guilder	8⅝-8⅜	8⅝-8⅜	8⅞-8⅞	9-8⅞	9⅛-9⅛	9⅛-9⅛
Sw. Franc	8⅞-8¾	8⅞-8¾	9⅛-8⅞	9⅛-9⅛	9⅛-9⅛	9⅛-9⅛
Deutschmark	7½-7¼	7½-7¼	8⅛-7⅞	8⅜-8⅛	8⅝-8⅜	9⅛-9⅛
Fr. Franc	10⅛-10⅛	10⅞-10⅛	10⅞-10½	10⅞-10¾	11⅛-11⅛	11⅞-11⅛
Italian Lira	13-11	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞	13⅛-12⅞	13⅛-13⅛
B. Fr. (Fin)	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅛-10¼	10⅞-10⅞	11-10⅞
B. Fr. (Con)	10⅛-10	10⅛-10⅛	10⅛-10¼	10⅛-10¼	10⅞-10⅛	11⅛-10⅞
Yen	6⅝-6½	6⅝-6⅝	6⅞-6⅝	7⅛-7⅛	7⅛-7⅞	7⅞-7⅞
D. Krone	12⅛-11⅞	12⅞-12⅛	12⅛-12⅛	12⅞-12⅞	12⅞-12⅞	12⅞-12⅞
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8¼	8⅞-8⅛	8⅞-8⅞

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9⅛-9⅛ per cent; four years 9⅛-9⅛ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.23	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.709	2.868	251.3	9.713	2.525	3.230	2121	2.049	59.75
$	0.585	1	1.678	147.0	5.683	1.477	1.890	1241	1.199	34.96
DM	0.349	0.596	1	87.62	3.387	0.880	1.126	739.5	0.714	20.83
YEN	3.979	6.801	11.41	1000.	38.65	10.05	12.85	8440	8.154	237.8
F Fr.	1.030	1.759	2.953	258.7	10.	2.600	3.325	2184	2.110	61.52
S Fr.	0.396	0.677	1.136	99.52	3.847	1	1.279	840.0	0.811	23.66
H FL	0.310	0.529	0.888	77.80	3.007	0.782	1	656.7	0.634	18.50
Lira	0.471	0.806	1.352	118.5	4.579	1.190	1.523	1000.	0.966	28.17
C $	0.488	0.834	1.400	122.6	4.740	1.232	1.576	1035	1	29.16
B Fr.	1.674	2.860	4.800	420.6	16.26	4.226	5.406	3550	3.429	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Short sterling rallies

Interest rates were steady on the London money market yesterday. Lack of fresh factors left three-month interbank unchanged at 15⅛-15⅛ per cent, but the strength of sterling against the D-Mark encouraged a slight easing of the 12-month rate to 15¼-15⅛ per cent from 15⅛-15⅛.

Short sterling futures rose on Liffe, closing at the day's peak of 85.25 for June delivery, compared with 85.15 at Thursday's finish. The contract opened little changed at 85.16 and fell to a low of 85.15.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit conditions remained tight. The Bank of England forecast a money market shortage of £900m, but provided total help of only £684m.

In an early round of assistance the authorities bought £12m bank bills outright in band 2 at 14⅞ per cent. Before lunch the Bank of England purchased another £338m bank bills in band 2 at 14⅞ per cent. In the afternoon a further £239m bills were bought, by way of £16m bank bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14⅞ per cent; and £222m bank bills in band 2 at 14⅞ per cent.

The day's operations were completed when the authorities gave late assistance of around £95m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £440m, with a rise in the note circulation absorbing £440m, and bank balances below target £30m. These outweighed Exchequer transactions adding £10m to liquidity.

The average rate of discount on 91-day Treasury bills fell to 14.3421 from 14.4853 per cent at the weekly Treasury bill tender. The £500m bills on offer met applications of £2.587bn, and the top accepted rate of discount was 14.3393 per cent. At a tender for £200m 182-day bills the average rate of discount declined to 13.9617 from 14.0161 per cent, on applications of £1.044bn. The top accepted rate was 13.9582 per cent.

Next week £500m 91-day bills will be offered, replacing maturities of £300m, and £200m 182-day bills will replace £100m of maturities.

In Frankfurt call money fell sharply to 7.075 from 7.60 per cent. Banks were well supplied with funds, and expect to have no problem meeting the relatively low reserve requirement of DM58.5bn for the month. Reserve holdings averaged DM62.2bn for the first 21 days of February.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

CAC-40 FUTURES (MATIF)
Stock Index

	Open	Close	Change	High	Low	Open Int.
February	1811.0	1797.0	-32.0	1815.0	1794.5	4,784
March	1810.0	1799.0	-30.0	1814.0	1795.0	4,170
April	1811.0	1811.0	-20.0	1811.0	1811.0	349
June	-	-	-	-	-	37

Estimated volume 7,902 Total Open Interest 9,340

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.23) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅛	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	10	One month	
Broker loan rate	9¼	Two month	
Fed.funds	8¼	Three month	
Fed.funds at intervention	-	Six month	
		One year	
		Two year	

Feb.23	Overnight	One Month	Two Months
Frankfurt	7.00-7.15	7.40-7.55	7.90-8.05
Paris	10⅛-10⅛	10½-10⅝	-
Zurich	8⅞-8⅞	8⅞-9⅛	-
Amsterdam	8.37-8.50	8.75-8.83	-
Tokyo	6⅞-6⅞	7⅛-7⅛	-
Milan	12⅞-13	13⅛-13⅛	-
Brussels	8.75	10⅛-10⅛	-
Dublin	11⅛-11⅞	11⅛-11⅞	12-12⅛

LONDON MONEY RATES

Feb 23	Overnight	7 days notice	One Month
Interbank Offer	16	14⅞	15⅛
Interbank Bid	14½	14⅞	14⅞
Sterling CDs	-	-	15
Local Authority Deps.	14¾	14¾	14⅞
Local Authority Bonds	-	-	-
Discount Mkt Deps.	15¼	14⅞	14⅞
Company Deposits	-	-	15
Finance House Deposits	-	-	14⅞
Treasury Bills (Buy)	-	-	14⅞
Bank Bills (Buy)	-	-	14¾
Fine Trade Bills (Buy)	-	-	15¼
Dollar CDs	-	-	8.25
SDR Linked Dep. Offer	-	-	9
SDR Linked Dep. Bid	-	-	8¾
ECU Linked Dep. Offer	-	-	10⅞
ECU Linked Dep. Bid	-	-	10⅞

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅛ per cent. Bank Bills (sell); one-month 14⅞ per cent; three months 14½ per cent. Treasury Bills; Average tender rate of discount 14.3421 p.c. ECGD Fixed Rate Sterling Export Finance. Agreed rates for period February 26 1990 to March 25, 1990 & III: 16.43 p.c. Reference rate for period Dec.30,1989 to 15.199 p.c. Local Authority and Finance Houses seven days' notice. Finance Houses Base Rate 15½ from February 1, 1990: Bank Deposit days notice 4 per cent. Certificates of Tax Deposit (Series under one month 11½ per cent; one-three months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent. Oct 9,1989, Deposits withdrawn for cash 5 per cent.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 21, 1990 £		Increase or decrease for week £
LIABILITIES			
Capital	14,553,000		
Public Deposits	53,870,517	-	4,213,336
Bankers Deposits	1,735,535,280	+	128,951,634
Reserve and other Accounts	1,915,458,857	-	159,303,686
	3,719,417,654	-	34,565,388
ASSETS			
Government Securities	1,142,903,395	+	170,681,105
Advance and other Accounts	523,344,745	-	50,965,090
Premises Equipment & other Secs	2,043,440,355	+	190,954,089
Notes	9,496,222	-	3,872,987
Coin	232,937	-	305
	3,719,417,654	-	34,565,388
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,950,503,778	+	13,872,987
Notes in Banking Department	9,496,222	-	3,872,987
	14,960,000,000	+	10,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	10,538,929,844	-	1,022,662,404
Other Securities	4,410,055,056	+	1,032,662,404
	14,960,000,000	+	10,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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LONDON MARKETS

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alumasc ......int	2.85	Apr 19	2.65	-	8
Courtney Pope ......int	3.75†	May 18	3.5	-	8.5
Lloyds Abbey ......fin	11‡‡	May 8	9.9	17	13.5‡
Lloyds Bank ......fin	9‡‡	May 9	7.53*	13.3	11.2*
Ramus Hldgs § ......int	1.5	May 15	2.5	-	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ‡‡Carries scrip alternative. ‡Also special 15p paid.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

- First Dealings Feb 19
- Last Dealings March 2
- Last Declarations May 24
- For settlement June 4

For rate indications see end of London Share Service

Calls in Rosehaugh, Explaura, Aviva Pet., Norex, Arabex Pet., Oliver Res., British & Commonwealth, Abercom, Aitken Hume and Gears Gross. Put and call in Berisford Intl.

GRANVILLE

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* These securities are dealt on a restricted basis. Further details available

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 4

Greater London Council 6¾% Stk 90/92 – £87¾ ½
Birmingham Corp 3% Stk 1947(or after) – £23 (16Fe90)
3% (1902) 1932(or after) – £25 (20Fe90)
Birmingham District Council 11½% Red Stk 2012 – £96½ (21Fe90)
Leeds(City of) 13½% Red Stk 2006 – £107 (20Fe90)
Newcastle-Upon-Tyne(City of) 11¾% Red

UK Public Boards

Foreign Stocks, Bonds, etc–(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies
No. of bargains included 1800

Australia & New Zealand Banking Gp New $A1(50% Pd&Rkg 50% Div Till 30/9/90) – 150 (21Fe90)
Bank of Ireland(Governor & Co of) 7% Ln Stk 86/91 – £90 (16Fe90)
Barclays Bank PLC 7½% Uns Cap Ln Stk 86/91 – £90 (21Fe90)
8¾% Uns Cap Ln Stk 88/93 – £84 ½ 5
12% Uns Cap Ln Stk 2010 – £96½ 7½
16% Uns Cap Ln Stk 2002/07 – £119¾

Breweries and Distilleries

Commercial, Industrial, etc

Beazer PLC 8.67% ...
Birmid Qualcast PLC ... 87/92 – £85½
Blue Arrow PLC ADR ...
Blue Circle Industries ... Stk 1984/2009 – ...
Boots Co PLC 7¾% ... £84 (21Fe90)
Bowater Industries ... – 58 (20Fe90)
Braithwaite PLC Cnv ...
Brent Chemicals Int ... Cum Red Prf £1 – ...
Bridon PLC 7% Pfd ... 38 (19Fe90)
British Airways PLC ...
British Alcan Alumin... Stk 89/94 – £92½
British-American To... Prf Stk £1 – 46 ... 6% 2nd Cum Prf ...
British Fittings Grou... Prf £1 – 88 (19Fe...)
British Shoe Corp H... 3rd Prf £1 – 60 ... 7% Uns Ln Stk 85...
British Steel PLC Ord ... 30 .3695 ½ ½ .63... 2 .132 3 3 4 ... ADR (10:1) – $22...
British Sugar PLC 10... 2013 – £89 ¾ ½ ...
Broadstone Hldgs ... 53 (21Fe90)
Brown & Jackson PL... Prf £1 – 103 (21F...

Financial Trusts, Land, etc

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Insurance

Investment Trusts

Plantations

Shipping

Utilities

Water

Miscellaneous Warrants

USM Appendix

York Trust Group PLC Red Cum Cnv Prf 20p – 58♦

The Third Market Appendix
No. of bargains included 128

Kromagraphic PLC Warrants to sub for Ord of 5p – 0¾ (20Fe90)
Poddington PLC Ord 5p – 63 4¾ 5 5‡ ¼‡ 6 6‡ 7 7‡ ½ ¾‡ ¾ 8 8 8‡ ¼‡ ¾‡ 70‡

Rule 535(2)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration A$2.52153 .61378 (21/2)
Aust. Foundation Inv 67 8 A$1.59 (19/2)
Boral Ord Stk £1.64 ♦
Churchill Resources A$0.97
Cons. Modderfonteins 62 ♦ 70 (19/2)
Darty FF 16
Harland (John H) Co £12 (21/2)
Highveld Steel & Vanadium $4.5 R16 .15
Keystone International $22.1167 ♦
Kuala Sidim Rubber M$2.05 (20/2)
Kulim Malaysia Ord (Malay Ord) M$2.2 (20/2)
Malaysian Airline System £2.05 (16/2)
Mount Martin Gold Mines A$.594
National Electronics (Consolidated) 2.5 (21/2)
Nixdorf Computers AG Prf Shs DM269 70.5 1 .5
Noranda Inc. C$21.375 (19/2)
North Flinders Mines A$3.27603
Oil Search 32 3
Overseas Chinese Banking Corp S$13.02782 (20/2)
Palabora Mining £9.25 $16.21 R59 .9
Rorer Group $60 ♦ (19/2)
Samantha Exploration A$.997
Selangor Coconuts 30 ♦
Singapore Land S$14.5598 .59923 ♦
Southwest Gold mines A$.05
Westfield Minerals 60 (19/2)

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LONDON STOCK EXCHANGE

End to a bad week for equities

A BAD WEEK on London's equity market was brought to a close with share prices under further pressure after another steep fall on the Tokyo stock market. The FT-SE 100-share index, posting its fourth double-figure decline over the five trading days, dropped 32.5 to 2236.7, extending the decline on the week to 89.2 Footsie points. Over the two-week trading account the index has fallen 76.9. Dealers and analysts attributed the latest sharp fall almost entirely to the performance of international bond markets, especially those in Japan and Germany. Japanese investors have been worried about the recent fall in the yen; yesterday the Bank of Japan, acknowledging the concerns about the yen, said it was "not comfortable about the present weakness" and that it is "prepared to act even in overseas markets." The Bank was in the market yesterday supporting the yen.

Account Dealing Dates

*First Dealings:	Feb 12	Feb 26	Mar 12
Option Declarations:	Feb 22	Mar 8	Mar 22
Last Dealings:	Feb 23	Mar 9	Mar 23
Account Day:	Mar 5	Mar 19	Apr 2

*New time dealings may take place from 9.00 am two business days earlier.

In the background there remained nagging worries about interest rates and inflation trends in the UK, which this week has seen other building societies matching the Abbey National in moving their home loan rates up to record levels.

Opening more than 20 points down, which turned out to be about its highest level during the day, the FT-SE 100-share index thereafter remained under constant pressure. This built up towards the opening of Wall Street which many observers were predicting would show a hefty loss, possibly as much as 100 points.

At its worst yesterday, around 30 minutes before Wall Street came in, the Footsie was down almost 41 points, when markets were alive with stories of US houses on the brink of launching sizeable sell programmes on Wall Street.

The US market, however, performed extremely well in the circumstances, and prompted a minor rally in London. The steadier trend was also helped, post 3.30pm, by small-scale buying for the new account.

Turnover levels in London picked up; yesterday saw 472.6m shares traded, the biggest this week. There were conflicting views about the immediate outlook for London equities. Dealers yesterday were almost universally bearish; "there's very little genuine business about, commissions are being pared to the bone and it looks as if many more jobs are about to disappear," was the gloomy view of one senior salesman.

Mr Paul Walton at Smith New Court was even more forthright about prospects, and said he expects a bounce to 2,400 on the Footsie "with the index reaching 2,750 by the year-end." He said he expected the UK economy to be much stronger from mid-year onwards with inflation coming down. "The UK will be seen to be the best-value play in Europe," he concluded.

Troubled day for Saatchi

Shares in Saatchi and Saatchi, the UK advertising agency, fell 42 to 138p yesterday, as the company said profits for the year "were unlikely to match market expectations."

Sentiment had already been damaged by renewed publicity for a shareholder lawsuit in the US and a slide in the price of the company's euroconvertible, down 15¼ percentage points yesterday to 57¼ per cent of par, and yielding more than 30 per cent to redemption.

SG Warburg, the company's broker, last night slashed its forecast for profits in the current year to £45m, compared with typical industry figures of around £70m at the start of the week. Warburg says with a 52 per cent tax charge, the company will make only 0.1p of earnings per share this year.

The company issued its report and accounts on Tuesday: in the year to end-September 1989, Saatchi made a profit of £21.8m against £138.0m 1988.

The convertible has a put option attached, which allows holders in 1993 to sell at £119.71 per £100 of the issue value, a payout which would hurt still further the company's balance sheet, said analysts. The company might have to make provisions against the conversion later this year.

Amid the bad news, Saatchi revealed that South Eastern Asset Management, the Tennessee-based investment institution, had increased its holding in the company by 2 per cent to 13.2 per cent. This helped the shares to recover from their low of less than 130p.

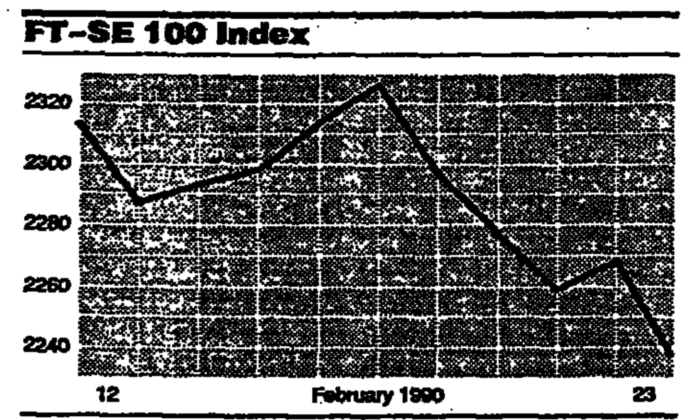
Resilient Ferranti

Ferranti, the defence electronics group, appeared to shrug off its troubles and closed 1½ up at 40p having dipped to 37p earlier in the session. Trade was brisk at 6.5m shares.

The change of mood appeared to have been caused by the announcement that Mr Eugene Anderson, formerly chief executive of Johnson Matthey, was to succeed executive chairman Sir Derek Alun Jones. Mr Anderson will assume the responsibilities of chairman and chief executive.

Talk in the market was that this was the last piece in the jigsaw and should trigger a recovery in the company's fortunes. Many believe that the intended rights issue may not be necessary and that the company may resume dividend payments next year.

FT-SE 100 Index



There was heavy trading in Lloyds Bank following results that were mildly disappointing, according to analysts and marketmakers. The figures prompted a mixture of straight selling and switching into NatWest, whose results received a warmer welcome earlier in the week. The weakness was partly countered by cum dividend buying - the stock goes ex on Monday. Turnover in Lloyds swelled to 8m and the price slipped 6 to 290p.

NatWest also benefited from switching out of Midland. One dealer said that now the results were out it was easier to compare performances and the relative strength of NatWest was clearer. NatWest climbed 5 to 354p on busy turnover of 6.4m shares and Midland slipped 6 to 345p as a good 4.1m changed hands.

Barclays, which rounds off the results season on March 1, was pushed to the sidelines, losing 6 to 556p.

County NatWest reiterated its sell recommendations on insurance brokers Willis Faber and Sedgwick. The shares fell 3 to 264p and 6 to 276p respectively.

Sizeable losses were sustained by investment trusts, particularly Globe and Electra after the former revealed an innovative move. Globe is offering 39.2m shares in Electra, its largest single investment and representing a 26 per cent holding, to shareholders and convertible stockholders at 260p per share on a rights issue basis. The offer is fully underwritten and the proceeds, £101m, will be reinvested in accordance with Globe's established investment policy. The two investment trusts have had close links for many years. Globe closed 6¼ down at 166p and Electra 21 lower at 265p.

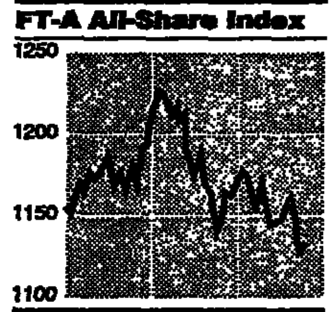
The oil and gas areas were given a rough ride, being additionally weakened by falling crude oil prices. A poor week for the two oil majors culminated with Shell under further pressure and still depressed by the slightly disappointing dividend announced on Wednesday. Shell closed 9 lower at 461p, leaving the shares 27 down over the week. BP, helped recently by switching out of Shell, came back 5 to 446p on good turnover of 8.2m shares.

British Gas lost 4¼ to 214½p, after turnover of 7.8m, with dealers noting the unseasonally warm weather, especially in the south of England. Also influencing sentiment was the recent firm performance of sterling which choked off US buying interest. The weather factor and a bearish view from a leading UK house, apparently talking the stock down to a level of 260p to 290p, led to a sharp decline in Calor which dropped 20 to 321p. Burmah, slightly upset by a flurry of selling early on, caused by a broker's sell note, fell 15 to 618p on turnover of 1.2m.

Enterprise Oil continued their recent poor showing with the shares persistently depressed by worries that ICI will soon sell its 25 per cent stake in the company via a placing which many brokers think will be at a discount of at least 5 per cent to the ruling price.

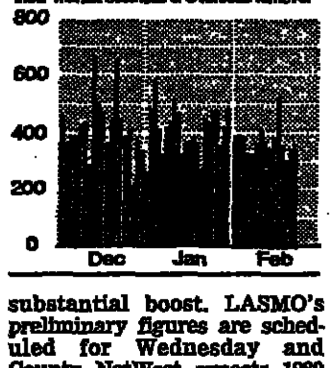
LASMO, one of the best recent performers, retreated 11 to 621p on turnover of just short of 1m, although specialists still expected good news and possibly excellent drilling results from the Westray well in the North Sea, which it is said could give the shares a substantial boost. LASMO's preliminary figures are scheduled for Wednesday and County NatWest expects 1989 net income of £60m against last year's £28m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Thursday's buy recommendation from County NatWest continued to buoy Whitbread. The "A" shares closed unchanged at 384p as a solid 1.3m changed hands.

Fears that Japan's whisky prices might fall hurt Guinness, down 14 at 638p. Japan is one of Guinness' more lucrative markets where Scotch commands premium prices and hence the highest margins. Turnover was a brisk 2.7m shares.

Few double-digit falls appeared among building stocks. Redland, down 12 at 524p, was one of the exceptions with dealers reporting "stock kicking around" in thin volume.

ICI followed the market down as analysts continued to digest the previous day's full-year figures. The shares weakened 6 to 1035 on turnover of 1.7m shares. UBS Phillips & Drew became the latest house to scale back expectations for 1990, reducing from £1.4bn to £1.35bn "to reflect the slowdown in the bulk chemicals operation."

Body Shop fell quickly as stories swept the market of a possible change in European Community rules on testing of cosmetics. Analysts said that the proposed amendment to an EC directive would mean that the onus would be on manufacturers to demonstrate that a product was harmless. But Body Shop said that it had been aware of the proposal for some time, and had been lobbying in Brussels against its adoption and did not expect it to go through. Body Shop shares recovered from a low of 507p to close at 517p, a net fall of 33.

The prospect of redundancies and store closures by A. Goldberg was interpreted negatively by the market and the shares fell 9 to 78p.

Tate & Lyle were 4 easier at 302p on 2.5m on suggestions that a 1.5m line of stock had been cleared during the morning. Dalgety held steady at 370p on small-scale buying. Meanwhile, Ranks Hovis McDougall continued to slide on talk that the difficulties in the junk bond market made a bid by Sunningdale less likely. RHM, down 14 at 383p, was also beset by speculation that it is managing to co-operate with Sunningdale, and could eventually bid with Sunningdale for a European food company.

Unigate fell 10 to 275p as bid hopes faded, though some analysts said Unigate may now be oversold. Unilever slipped 11 to 619p ahead of its final results on Tuesday. Full year profits of £1.7bn are expected, against £1.4 last time.

Booker remained weak, but brokers were at a loss to explain its 19p retreat over the past week. Booker closed 6 off at 405p. Berisford added a penny to 109p, ending its spell of losses since last Friday. Dealers said speculation that it could be harmed by Drexel Burnham Lambert's difficulties in the commodities market had been behind its 20p decline last week.

English China Clays followed the market and gave back some of the gain that made it an outstanding feature earlier in the week. The shares closed 9 down at 385p.

Kleen-e-Ze Holdings, up 5 at 153p, again benefited from the recent announcement that it planned to dispose of its industrial operations.

US buying was said to have helped British Steel holding steady and the shares closed unchanged at 133p on turnover of 3.8m.

A profits upgrading from BZW helped Rank Organisation gain 6 to 785p. BZW now expects Rank to make profits of £355m in 1990, instead of the previous £330m, rising to £415m in 1991. BZW believes the recent rights issue to have been placed at a sensible price and to have been "only slightly dilutive."

Priest Marians added 12 to 305p on speculation that Grovewood Securities would make a bid on Monday or Tuesday.

The water stocks were mixed. Anglian was up a penny at 177p and Yorkshire turned 2 firmer at 182p. Dealers said both had been squeezed higher on consistent buying, some of which was by institutions. "Both of these are well run, conservative companies, which would appeal to the institutions," one analyst said.

The other water shares were modestly dealt awaiting a decision on the Three Valleys merger proposal by the Government. Dealers said the talk in the market was that the government would approve the deal later this week. North West eased 3 to 167p, Severn Trent lost 3 to 149½p, Southern was 8 off at 157p, South West dropped a penny to 188p, and Thames was 3 easier at 163½p. The Water Package was 25 lower at £1,685.

TVS Entertainments continued to weaken on stories that efforts to sell a 49 per cent stake in its US production subsidiary MTM had stalled. TVS needs the cash injection to be able to mount a competitive attempt to retain its licence next year. The shares fell another 6 to 92p, making a two-day decline of 28.

Other Market statistics, including the FT-Actuaries share index Page 11; recent issues (including the water issue stocks), Page 13.

FINANCIAL TIMES STOCK INDICES

	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	80.15	79.91	80.00	79.87	79.89	88.06	89.29 (8/2/89)	79.87 (20/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.20	89.65	90.40	90.75	90.84	98.48	98.59 (15/3/89)	89.20 (23/2/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1762.3	1789.8	1783.8	1799.0	1813.5	1683.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	295.6	303.3	310.5	307.0	302.6	169.2	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2236.7	2269.2	2259.7	2277.0	2297.1	2019.5	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.94	4.87	4.85	4.92	4.77	4.48				
Earning Yld %(full)	11.75	11.67	11.72	11.89	11.60	11.00				
P/E Ratio(Net)(☆)	10.31	10.47	10.33	10.18	10.44	11.01				
SEAQ Bargains(5pm)	28,383	22,480	25,172	22,978	30,830	31,351				
Equity Turnover(£m)†	-	833.45	776.66	817.90	814.72	1565.22				
Equity Bargains†	-	23,311	24,517	23,135	25,712	34,297				
Shares Traded (ml)†	-	395.9	359.7	354.2	308.9	597.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.26

Ordinary Share Index, Hourly changes Day's High 1773.7 Day's Low 1757.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1773.6	1764.4	1763.6	1764.6	1762.8	1757.6	1762.7	1763.6

FT-SE, Hourly changes Day's High 2248.4 Day's Low 2228.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2248.2	2237.4	2237.7	2240.1	2236.8	2228.9	2237.1	2239.2

GILT EDGED ACTIVITY

Indices*	Feb 22	Feb 21
Gilt Edged Bargains	76.2	79.4
5-Day average	85.2	88.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	388	184	-2	Comm. Union	1,100	484	-8	LASMO	987	621	-11	Shell Transport	5,000	461	-9
ASDA Group	4,200	104	-2	Cookson	483	230	-4	Lonrho	975	270	-7	Siebe	370	419	-6
Abbey National	2,400	176		Courtaulds	739	388	-11	Lucas	388	571	-6	Slough Ests	1,200	296	-5
Allied-Lyons	1,300	455	-9	Dalgety	253	370		MB Group	2,000	305	-4	Smith (W.H.) A	20	303	-3
Amstrad	2,400	54		Dixons	340	129	-1	MEPC	724	488	-12	Smith & Nephew	932	113	-2½
Argyll Group	1,300	205	-1	Eng. China Clays	311	385	-9	Marks & Spencer	4,000	202½	-1½	SmKl Beecham	985	510	-10
Ass. Brit. Foods	152	395		Enterprise Oil	581	624	-4	Maxwell Comm.	379	193	-6	SmKl Beecham Units	5	2288	-65
BAA	1,300	385	+1	FKI	2,500	58	-3	Mecca Leisure	175	149	-1	Smiths Inds.	351	230	-4
BAT Inds.	1,800	778	-17	Ferranti	6,480	40	+1½	Midland Bank	4,100	345	-6	Standard Chartd.	845	568	-20
BET	1,200	236	-3	Fisons	1,400	323	-3	NatWest Bank	6,400	354	+5	Storehouse	412	117	-2
BICC	673	401	-7	Gen. Accident	254	1120	-13	Next	1,700	107		Sun Alliance	730	309	-4
BOC	476	515	-6	General Elec.	2,300	213	-3	Northern Foods	308	238	-2	Sun Life	16	1275	-5
BPB Inds.	869	224	-3	Glaxo	2,100	688	-14	Pearson	481	683	-5	T&N	379	192	-3
BTR	4,900	395½	-9½	Globe Inv.	482	166	-6½	P & O	700	612	-8	TI Group	236	419	-4
Barclays	1,600	550	-6	Glynwed Int.	308	224	-2	Pilkington	1,900	209	-4	TSB	1,400	135	-1
Bass	528	953	-9	Granada	307	312		Polly Peck Intl.	1,400	389	-8	Tarmac	674	217	-2
Beazer	387	145	-2	Grand Met.	2,050	587	-9	Prudential	611	207	-3	Tate & Lyle	2,500	302	-4
Berisford Int.	908	109	+1	GUS A	221	1009	-9	RHM	1,200	383	-14	Taylor Woodrow	396	289	-3
Blue Arrow	901	84	-1½	GRE	1,300	234	-6	RMC	747	602	-7	Tesco	2,800	196	-2½
Blue Circle	1,000	221	-7	GKN	788	384	-5	RTZ	1,300	518	-5	Thames Water	1,900	163½	-3
Boots	2,000	288	-4	Guinness	2,700	638	-14	Racal	12,000	219	-4	THORN EMI	905	712	-10
Brit. & Comm.	2,500	55	-2	Hammerson "A"	142	723	-17	Racal Telecom	600	375	-6	Trafalgar House	1,400	323	-4
Brit. Aerospace	1,600	487	-15	Hanson	8,300	220½	-3	Rank Org.	129	785	+6	Trusthouse Forte	1,600	275	-7
British Airways	1,100	195	-3	Hanson Warrants	1,100	54	-2	Reckitt & Colman	534	1119	-12	Ultramar	603	358	-10
British Gas	7,800	214½	-4½	Harrisons Cros.	411	145	-1	Redland	489	524	-12	Unigate	235	275	-10
British Land	803	354	-8	Hawker Sidd.	209	805	-15	Reed Intl.	1,800	408	-6	Unilever	1,600	619	-11
BP	9,300	336	-5	Hillsdown	2,300	257	-4	Reuters	938	1027	-9	United Biscuits	767	329	-3
British Steel	3,600	133¼	+½	IMI	865	207	-2	Rolls Royce	2,700	187	-2	Utd. Newspapers	672	354	-8
British Telecom	4,800	294	-2	ICI	1,650	1035	-6	Rothmans	183	818	-8	Wellcome	206	679	-3
Bunzl	182	105	-1	Inchcape	412	283	-6	Ryl Bk Scotland	1,400	189	-2	Whitbread "A"	1,174	384	
Burmah Oil	1,200	618	-17	Kingfisher	1,500	274	-8	Royal Insurance	923	498	-9	Williams Hldgs.	189	234	-3
Burton	1,300	177	-4	Ladbroke	1,900	287	+5	STC	2,850	282	-3	Willis Faber	376	264	-3
Cable & Wire.	1,600	524	-5	Land Securities	1,400	477	-12	Saatchi	6,500	138	-44	Wimpey	454	287	-1
Cadburys	1,225	318	-5	Laporte	342	499	-10	Sainsbury	547	256	-4				
Calor Group	1,300	319	-22	Legal & General	280	385	-3	Scottish & New.	339	304	-10				
Carlton Comms.	632	738	-10	Lloyds Abbey	4,400	315	-5	Sears	1,800	101	-2				
Coats Viyella	508	131	-1	Lloyds Bank	8,000	280	-6	Sedgwick	1,400	276	-6				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (9).
BRITISH FUNDS (2) BANKS (1) ELECTRICALS (1) INDUSTRIALS (1) Eurocopy, INSURANCE (2) TRANSPORT (1).
NEW LOWS (201).
AMERICANS (3) CANADIANS (2) BANKS (11) BREWERS (8) BUILDINGS (11) CHEMICALS (2) STORES (9) ELECTRICALS (16) ENGINEERING (7) FOODS (12) HOTELS (3) INDUSTRIALS (32) AIM, Bestwood, Brown & Tawse, CH Inds., CMS Packaging, Courtney Pope, De La Rue, Eldersill, Fletcher Challenge, Hartons, Hawthorne Leslie, Johnson Matthey, Johnston Grp., Kalon, Lilly (Eli), Mayflower, NMC, Norton, Optical & Med. Intl., J.S. Pathology, Porth, Savage, Spectrum, Stainless Metalcraft, Stonehill, Suter, Whitecroft, Widney, Wiltshire, Wilshaw, Worcester, LEISURE (6) MOTORS (4) NEWSPAPERS (1) PAPERS (12) PROPERTY (28) SHOES (2) TEXTILES (4) TOBACCOS (1) TRANSPORT (9) TRUSTS (24) OILS (3) OVERSEAS TRADERS (1) MINES (4).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	89	0	9	211	232	47
Corpn. Dom. & Foreign Bonds	11	11	25	27	31	127
Industrials	122	799	676	955	3,139	3,895
Financial and Props	54	404	241	359	1,593	1,531
Oils	13	52	27	83	211	166
Plantations	1	2	7	4	12	34
Mines	10	80	68	169	261	360
Others	51	98	97	209	536	492
Totals	351	1,438	1,150	2,017	6,015	6,652

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday February 22 1990

Water	+	4.31	Industrial Group	-	6.45
Merchant Banks	+	2.09	Insurance(Brokers)	-	6.57
Packaging & Paper	+	1.14	Brewers and Distillers	-	6.75
Agencies	-	1.22	Consumer Group	-	7.34
Gold Mines Index	-	1.88	Property	-	7.49
Electronics	-	2.00	Contracting,Construction	-	7.85
Food Retailing	-	2.21	Capital Goods	-	8.01
Banks	-	2.33	Leisure	-	8.21
Stores	-	2.73	Insurance(Life)	-	8.24
Transport	-	3.09	Motors	-	8.25
Oil & Gas	-	3.32	Building Materials	-	9.49
Conglomerates	-	3.41	Insurance(Composite)	-	9.65
Metals & Metal Forming	-	3.56	Food Manufacturing	-	9.81
Other Groups	-	3.89	Investment Trusts	-	9.83
Telephone Networks	-	4.28	Electricals	-	10.07
Textiles	-	4.87	Publishing & Printing	-	10.19
Financial Group	-	5.43	Health & Household Products	-	10.97
Engineering-General	-	5.61	Other Industrial Materials	-	11.12
500 Share Index	-	6.00	Overseas Traders	-	12.95
All Share Index	-	6.09	Engineering-Aerospace	-	14.01
Chemicals	-	6.19			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-13	+07/32	12.59	12.45	12.37
		10.500	5/99	93-31	+09/32	11.56	11.45	11.30
		9.000	10/08	86-28	+13/32	10.63	10.53	10.34
US TREASURY *		8.500	02/00	99-27	+05/32	8.51	0.00	0.00
		8.500	02/20	99-06	+04/32	8.58	0.00	0.00
JAPAN	No 119	4.800	6/99	88.1128	-0.320	6.90	6.84	6.72
	No 2	5.700	3/07	93.9063	-0.305	6.45	6.33	6.51
GERMANY		7.125	12/99	89.6000	-0.250	8.71	8.63	7.75
FRANCE	BTAN	8.000	10/94	90.2546	-0.020	10.75	10.82	10.39
	OAT	8.125	5/99	88.4700	+0.280	10.08	10.22	9.63
CANADA *		9.250	12/99	92.3750	+0.250	10.51	10.39	9.89
NETHERLANDS		7.500	11/99	90.7500	-0.150	8.96	8.98	8.33
AUSTRALIA		12.000	7/99	93.1809	+0.001	13.28	13.18	12.74

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Lead displays split personality

THE LONDON Metal Exchange lead market was displaying something of a split personality this week as concern about nearby supply problems distorted a basically neutral fundamental situation. As a result the cash price surged to a ten-year high while the three months delivery position registered a relatively modest rise.

At last night's close the cash quotation was £515 a tonne, up £68 on the week, but three months metal was only £8 higher at £431.50 a tonne, having fallen by £8 yesterday.

Problems affecting supplies from Samim in Sardinia, Noranda's Belledune mine and Cominco's Sullivan operation in Canada and Britannia Refined Metals in the UK were all worrying the lead market, which has seen LME warehouse stocks fall by 10,000 tonnes to 13,275 tonnes since the start of the year.

There were also suggestions that Cominco was facing severe start-up problems at its Red Dog project in Alaska, the world's biggest lead zinc mine. But, while admitting that severe weather since mining started on December 1 had hampered movement of concentrates from the mine to the port, the company insisted that Red Dog should still reach planned production levels by the end of March and full production in 1992.

The LME price rise appeared to be running out of steam yesterday as traders responded to expectations that substantial deliveries to the exchange's warehouses might have been attracted by the much higher premium available for cash metal. The premium, known in the trade as a "backwardation", which ended last week at £23.50 a tonne, grew to £85 a tonne at one point, before ending the week at £83.50 a tonne.

The copper market followed last week's strong rally with an uncertain performance, as the cash price see-sawed to a £4 net fall at £1,431 a tonne. The concluding downward swing was influenced, traders said, by disappointment at the New York market's failure to break through a significant chart resistance level. Earlier strength had been linked to concern in New York about nearby supply tightness, but London traders were not convinced as they had not yet seen a significant drawdown from LME stocks to meet the supposed US shortage.

LME aluminium finished on an upbeat, after following copper lower early in the day. The cash price still ended £12 down on the week at £1,495 a tonne, but that was well up from the £1,468 low reached on Wednesday.

Traders said yesterday's firmer tone was influenced by expectations that a further fall in LME stocks will be announced on Monday.

Nickel prices also finished down on the week, despite a spirited rally over the past two days. The cash price had dipped by $647 to $7,190 before recovering $585 of the fall. Traders said the initial fall had attracted European trade buying and the market was now re-testing a resistance area around $7,800 a tonne (for three months metal).

The cash price for special high grade zinc recovered from copper-inspired early losses yesterday to end unchanged on the day and $4 up on the week at $1,454.50 a tonne. But that largely reflected expectations of tighter nearby supply availability with a further substantial drawdown from LME stocks expected to follow the 12,000-tonne fall announced last Monday. The three months special high grade price closed last night at $1,424.50 a tonne, down $18.50 on the day and $11.50 on the week.

On the London bullion market the gold price reached $420 a troy ounce at one stage before falling on Thursday and yesterday to $416 an ounce, down $1.75 on the week. Traders suggested that much of the late selling was by holders of "in the money" European options due to expire on Monday.

Coffee prices gained a little ground, helped by optimism ahead of next week's meeting of Central American producers in Guatemala City aimed at drawing up a new price stabilisation pact. But some traders thought the optimism was premature, to say the least, especially as a US official had denied earlier reports that his country, the world's biggest coffee importer, would be attending the meeting.

Cocoa prices were also in the plus column again. But traders said the £16 rise on the week to £636 a tonne reflected the absence of producer selling rather than any enthusiastic buying. The market remained "technically-driven," they added.

Sugar futures were only marginally lower on the week after the market shrugged off confirmation that Sucré et Denrées, the big Paris trade house, had recently sold about 2m tonnes of sugar to Cuba for to cover contracted deliveries to the Soviet Union.

Richard Mooney

APPOINTMENTS

Scottish Amicable post

■ Mr Roy Nicholson has been appointed general manager (corporate services) and executive director as deputy chief general manager at SCOTTISH AMICABLE. He continues to be responsible for corporate services.

■ Howard Daldorph has been appointed marketing executive of ROYAL LONDON ASSET MANAGEMENT. He was marketing manager with Bankers Trust Investment Management.

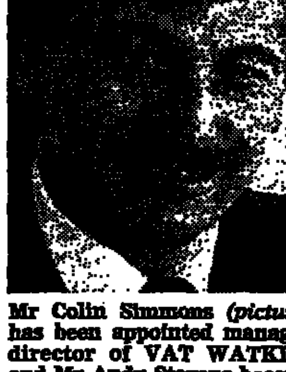
■ Mr E.N. Addison, chairman, Addison Tool Co, has been elected president of THE MACHINE TOOL TECHNOLOGIES ASSOCIATION.

■ Mr Peter Carr has been appointed chairman of COUNTY DURHAM DEVELOPMENT CO from March 31. He was regional director in the Department of employment, Northern.

■ Mr Brian Craig has been appointed managing director of EDINBURGH MARITIME AND FORTH PROPERTIES, a wholly-owned subsidiary the Forth Ports Authority. He joins from his own company, Craig European Holdings, which he formed following his resignation as chief executive of Brookmount when it was taken over by Ford Sellar Morris.

■ Dr Christopher Masters, chief executive of Christian Salvesen, has been appointed a non-executive director of BRITISH ASSETS TRUST.

■ Ms Karen McCusker has been appointed director responsible for GRE Asset Management's investment services to GUARDIAN ROYAL EXCHANGE. Mr Tom O'Connell becomes director in charge of pensions, linked life and unit trust investments.



Mr Colin Simmons (pictured) has been appointed managing director of VAT WATKINS, and Mr Andy Stevens becomes estimating director.

■ Mr Howard R. Grant has been appointed chairman of WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS, Chippenham, Wilts. He is chairman of a number of subsidiaries.

■ Mr Peter Middleton has been appointed director of project development for L. & R. LEISURE.

■ Mr John Lutterloch has been appointed managing director of GE CAPITAL COMMERCIAL EQUIPMENT FINANCING. He was a director of Western Industrial Finance Co. GE Capital is a wholly-owned subsidiary of General Electric Capital Corporation, US.

■ CLARK WHITEHILL has appointed Mr John Lappin as national finance director. He was financial controller of Texas Homecare.

■ I.G. INDEX has appointed Mr Tracy Morshead as marketing director. He was head of marketing for both William Hill and Mecca Bookmakers. Mr Roger Butler, who was managing partner, London, at Arthur Young, becomes a non-executive director.

■ Mr Neil H. Ward has been promoted to financial director of G. BARRACLOUGH, Bradford, a soft drinks manufacturer. He was financial controller and company secretary.

■ Mr Toby Wilkinson has been apppointed a director of Paragon Financial, financial and investor relations subsidiary of PARAGON COMMUNICATIONS.

■ Mr Keith Harrison has been apppointed financial director of THOMAS WILLIAM LENCH (HOLDINGS), Warley. He was financial controller with United United Engineering Steels.

BRADSTOCK GROUP has appointed as a non-executive director from March 1 Mr David M. Backhouse, a non-executive director of TSB Group, Henderson Administration Group, and Witan Investment Co.

■ CARLTON COMMUNICATIONS has appointed Mr Piers Inskip, Mr Bruce Macgowan, and Mr Geoffrey Rampton as associate directors.

■ Mr Terry Radford, managing director of Ampex Great Britain, has been appointed AMPEX vice president for Europe, Africa and the Middle East. He will have offices in Reading in the UK, and Redwood City, US.

■ Mr Clive Gilchrist, director, Argosy Asset Management, has been appointed chairman of the investment committee of the NATIONAL ASSOCIATION OF PENSION FUNDS.

ROBINSON, Chesterfield, has appointed Mr Andrew Lauder as managing director of its disposable healthcare products business, Robinson Healthcare.

■ Mr Michael Vincent has been appointed group treasurer of MB GROUP. He was group financial controller of Caradon, which was recently acquired by MB Group.

Mr Jay Wright (pictured) has been appointed managing director of CHUBB SECURITY INSTALLATIONS, Kempston, Bedford. He was production director of Bolton Brady, part of the Tarmac Group.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	48.71	48.71xd	52.10	+0.41	5.26
Gilts & Fixed Int	6	105.4	105.4	111.8	.....	9.84
High Inc Equity	6	131.9	135.2xd	143.9	-0.9	4.41
Worldwide Bond	6	191.7	191.7xd	203.1	.....	6.35
Capital Growth						
American Growth	6	175.6	175.6xd	187.9	+0.9	1.17
Asian Pacific	6	123.8	123.8	132.5	-0.7	0.00
Assets & Earnings	6	152.3	152.3	162.9	-0.8	3.10
Capital Reserve Acc	0	88.80	88.80	88.87	+0.05	6.75
Capital Reserve Inc	0	78.78	78.78	78.85	+0.03	7.62
Comdty & Energy	6	108.5	111.1	118.2	-1.7	0.71
Dividend & Growth	6	45.87	46.96	49.96	.....	4.50
1992 Enterprise	6	60.55	60.55	64.76	-0.3	2.50
Euro Capital Acc	6	96.48	96.48	103.2	-0.3	0.92
Euro Capital Inc	6	93.02	93.02	99.49	-0.22	0.95
General	6	170.6	170.6xd	182.5	-1.4	2.74
International	6	59.48	59.48xd	63.62	-0.61	0.79
Japan	6	104.0	104.0	111.3	-3.5	0.00
Mastertrust	6	86.89	86.89	92.94	-0.72	3.53

Pearl Unit Trusts Ltd (1000)H
PO Box 500, Thorpe Wood, Peterborough PE3 6SD
Dealing: 0800 626577 Enquiries: 0733 67767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	111.2	113.6	119.5	-1.0	3.25
(Accum Units)	5	177.2	181.1	190.5	-1.5	3.25
Income	6	171.0	174.4	185.5	-1.4	4.31
Equity	6	169.7	172.8	183.8	+2.3	3.04
(Accum Units)	6	320.1	326.0	346.7	-2.4	3.04
Intl Equity	6	167.3	169.5	180.2	-1.3	1.93
(Accum Units)	6	175.9	178.2	189.5	-1.3	1.93
UK Income	6	46.71	47.58xd	50.61	-0.41	4.35
UK Ind 25	6	45.65	46.29	49.24	-0.21	2.86

Pembroke Administration Ltd (1700)F

Schroder Unit Trusts Ltd—Contd.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far Eastern Gwth	5¼	47.51	47.51	50.00	.....	0.00
(Accum Units)	5¼	47.51	47.51	50.00	.....	0.00
Fixed Interest	5¼	44.43	44.43	46.79	+0.09	10.73
(Accum Units)	5¼	44.43	44.43	46.79	+0.09	10.73
Gilt Income	5¼	89.39	89.39	94.22	+0.33	10.00
(Accum Units)	5¼	96.21	96.21	101.4	+0.40	10.00
Income	5¼	237.0	239.7	254.9	-2.30	5.76
(Accum Units)	5¼	595.0	601.6	640.0	-6.00	5.76
Japan Smllr Cos ♣	5¼	346.5	350.0	372.3	-5.50	0.00
(Accum Units) ♣	5¼	347.0	350.8	373.1	-5.40	0.00
Pacific Gwth ♣	5¼	47.68	48.63xd	51.73	-0.31	0.00
(Accum Units) ♣	5¼	47.91	48.86	51.98	-0.31	0.00
Smaller Co's	5¼	164.2	169.6	180.4	-1.60	2.73

PK English Trust (Isle of Man) Ltd (1000)F
12 Carthusian St, London EC1M 6EB 01-796 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	4	57.66	58.09	60.72	.....	0.0
Far Eastern*	4	175.42	179.7	186.88	.....	0.5
Growth†	4	185.46	187.78	198.79	.....	3.1
Income†	4	137.29	139.01	148.07	.....	5.4
Scandinavian†	4	74.74	76.64	79.71	.....	0.3

† Dealing Day: Wed. *Dealing day: Thurs.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIMES
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Thornton Unit Managers Ltd (1000)F

33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	46.86	47.72xd	50.89	-0.31	1.05
(Accum Units)	5	48.23	49.11xd	52.38	-0.32	1.05
European Opps	5	71.69	71.96	76.75	-0.58	0.00
(Accum Units)	5	72.08	72.35	77.17	-0.58	0.00
Far Eastern Opps	5	132.32	132.32	141.13	-1.30	0.00
(Accum Units)	5	133.17	133.17	142.04	-1.38	0.00
Golden Opps	5	44.88	45.08xd	48.08	-0.52	0.00
(Accum Units)	5	46.16	46.37xd	49.45	-0.54	0.00
Intl Hi-Yield	5	56.62	57.02xd	60.81	+0.09	4.57
(Accum Units)	5	61.46	61.90xd	66.02	+0.10	4.53
Sanyo Japan Tst	5	67.28	67.28	71.76	-1.34	0.00
(Accum Units)	5	67.28	67.28	71.76	-1.34	0.00
Kangaroo	5	31.76	31.76	33.87	-0.32	1.53
(Accum Units)	5	31.94	31.94	34.06	-0.32	1.53
Oriental Income	5	33.34	33.41	35.62	-0.27	5.25
(Accum Units)	5	37.37	37.46	39.94	-0.29	5.25
Pacific Technology	5	57.12	57.12	60.92	-0.90	0.00
(Accum Units)	5	57.58	57.58	61.41	-0.92	0.00
Tiger	5	146.04	146.04	155.77	-1.32	0.71
(Accum Units)	5	148.32	148.32	158.20	-1.34	0.71
UK Hi-Yield	5	43.32	43.32	46.19	-0.16	4.95
(Accum Units)	5	49.53	49.53	52.82	-0.18	4.95
UK Opps	5	54.99	57.59xd	61.40	-0.30	1.65
(Accum Units)	5	59.84	62.66xd	67.01	-0.32	1.65

Three Counties Asset Mngmt Ltd (1430)F

Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	90.50	91.93	97.80	-1.07	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F

Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing—12 Noon Historic

TR American Gwth	5¼	43.42	43.42	46.31	-0.22	0
TR Eur Sp Sits Acc	5¼	40.15	40.15	42.74	+0.37	0
TR Eur Sp Sits Inc	5¼	39.37	39.37	41.91	+0.37	0
TR General Growth	5¼	72.10	72.10xd	76.70	-0.94	2.88
TR Global Tech	5¼	68.64	68.64	73.21	-0.20	0
TR Income Growth	5¼	84.58	84.78xd	90.19	-1.54	4.60
TR Income Monthly	5¼	53.69	53.69	57.11	-0.66	7.05
TR Japan Growth	5¼	89.87	89.87	95.34	-1.80	0
TR Overseas Growth	5¼	64.62	64.62	68.88	-0.53	0
TR Smaller Cos	5¼	79.98	79.98	85.08	-0.93	3.04

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	146.5	147.0	----	1.42

Stewart Ivory & Co Ltd

Stewart PPP Jan 21	264.0	278.6	----	–

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Feb 15	101.75	107.81xd	----	3.84
(Accum Units)	102.36	108.47xd	----	3.84

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1068	1082	----	167
TR Exempt Nth Amer	872	886	----	369
TR Exempt Pac Basin	960	973	----	0

INSURANCES

AA Friendly Society

(Investment Mngt M & E Ins Mngt Ltd)

AA Friendly Sy Feb 9	–	173.3	----	–

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	300.9	316.8	----	–
Equity Ser. 1	129.0	135.8	-1.2	–
Prop. Acc. Ser 2	463.9	488.4	----	–
Equity Ser 2	149.7	157.6	-1.5	–
Selection Acc	341.4	359.4	-1.6	–
Prop. Ser 4	362.7	381.8	+0.1	–
Equity Ser 4	152.3	160.4	-1.1	–
Man. Ser 4	435.3	458.3	-1.9	–
Fixed Int. Ser. 4	213.6	225.2	-0.3	–
Indexed Inv. Ser. 4	140.1	147.5	----	–

Other funds: Barclays Life Assur. Co Ltd; Clerical Medical Investments Group; Equity & Law—Contd.; Guardian Royal Exchange—Contd.; Laurentian Life plc—Contd.; Merchant Investors Assurance Co Ltd—Contd.

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	103.4	108.9	+0.1	–
Managed Growth	137.7	145.0	-0.2	–
Managed Opportunity	141.3	148.8	-0.3	–
NFMC Target Financial	101.2	106.6	+0.4	–
Pension Funds				
Managed Cautionary	108.1	113.8	+0.2	–
Managed Growth	141.7	149.2	-0.2	–
Managed Opportunity	143.3	150.9	-0.5	–
NFMC Target Mngd Pen	1477.6	1555.4	-18.2	–

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

[illegible]

Providence Capital Life Assc. Co Ltd – Contd.

[illegible]

Royal Heritage Life Assurance Ltd—Contd.

[illegible]

Skandia Life Assurance Co Ltd (z)
Frobisher Hse, Nelson Gate, Southampton 0703 334411

[illegible]

Sun Alliance Group
Sun Alliance House, Horsham 0403 64141

[illegible]

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells 0892 515353

[illegible]

Sharp (Albert E.) & Co.

[illegible]

Siltala Fund Managers Limited

[illegible]

Royal Bank of Canada Funds

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

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DUBLIN (**)

OFFSHORE INSURANCES

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Wardley Investment Services Ltd				
Wardley S E Asia Tst	$12.89	13.67	----	0.80
Wells Fargo U.S. IT Fund				
NAV Feb 21		$9.45	----	-
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$35.99	----	-

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
43 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Cafcash Deposit Fd	14.81	-	15.85	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	-	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fund	14.67	11.48	15.74	6-Mth
7-day Fund	14.85	11.62	15.94	6 Mth
Special Fund	14.78	-	16.27	Mth
Dollar	7.00	5.49	7.45	6 Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Afficn Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc	13.50	10.56	14.64	Qtr
Mnth Chq £1,000-£4,999	13.50	10.56	14.77	Mth
Mnth Chq £5,000-£49,999	14.00	10.95	15.56	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
CraNA (£2,001+)	14.50	11.35	15.94	Mth
MICA (£2,001+)	13.90	10.86	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.725	10.750	14.922	Qtr
£10,000+	14.058	11.030	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01 601 6746	
Money Mkt Cheque Acc	13.6	10.64	14.9	Mth

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Feb 22	Feb 21	Feb 20	Feb 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2574.77	2583.56	2596.85	2635.59	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.05	91.00	91.09	91.46	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1076.64	1084.64	1067.92	1079.30	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.86	218.25	218.56	221.27	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2622.30 (2602.48) Low 2568.02 (2556.31)

STANDARD AND POOR'S

	Feb 22	Feb 21	Feb 20	Feb 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	325.70	327.67	327.99	332.72	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	375.35	378.14	378.66	383.81	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.20	28.19	28.13	28.62	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.28	181.07	181.37	183.75	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	353.35	352.95	354.88	358.77	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	422.75	421.52	423.83	429.01	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 16	Feb 9	Feb 2	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.09	4.16	3.61

	Feb 21	Feb 14	Feb 7	year ago (approx.)
S & P Industrial div. yield	3.16	3.11	3.09	3.18
S & P Indl. P/E ratio	14.32	14.21	14.23	13.50

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Dominion Res	0,561,100	45¼	—
Fst Int Bk	3,772,600	36⅛	+ 1
Varity Corp	3,619,800	3¼	—
Pfizer	3,494,800	59¼	− 4½
Philip Morris	2,598,100	38⅛	+ ½
IBM	2,296,400	103¼	− 1⅝
Fannie Mae	1,958,100	34¼	+ ⅛
Texas Ut	1,852,400	34½	—
A T & T	1,733,800	38⅛	− ⅛
Entergy Corp	1,695,400	19⅞	− ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 22	Feb 21	Feb 20
New York	184.320	159.240	147.300
Amex	11.064	11.632	11.688
NASDAQ	(u)	120.102	108.277
Issues Traded	1,968	1,982	1,967
Rises	713	583	320
Falls	754	965	1,267
Unchanged	498	434	380
New Highs	21	10	13
New Lows	52	96	84

CANADA

TORONTO	Feb 22	Feb 21	Feb 20	Feb 19	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2936.26	2959.23	2981.50	3037.47	3919.2 (1/9/89)	2933.48 (12/2/90)
Composite	3668.62	3672.46	3692.25	3734.76	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1862.13	1863.88	1872.96	1901.23	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 23	Feb 22	Feb 21	Feb 20	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1581.0	1609.0	1624.2	1638.4	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	795.4	811.4	825.2	833.4	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	655.58	654.91	642.05	650.87	663.28 (19/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5656.33	5659.19	5673.91	5822.28	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	366.43	367.46	366.49	364.48	388.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	657.9	661.0	660.7	661.3	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	494.64	493.88	488.66	499.79	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1803.62	1836.91	1803.79	1828.16	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	751.25	764.90	798.22	768.24	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2192.0	2254.2	2215.8	2243.3	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1789.64	1820.15	1807.19	1821.81	1959.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2894.31	2927.92	2862.27	2980.90	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1790.36	1794.22	1788.13	1783.51	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	661.45	662.45	662.31	667.68	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	34890.97	35826.84	35734.33	36895.52	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2554.31	2615.09	2620.21	2696.08	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4076.43	4132.73	4155.91	4229.54	4294.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	601.25	607.91	603.47	622.20	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	242.2	246.1	244.5	246.9	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	185.8	188.8	187.6	189.4	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	793.27	805.62	793.41	802.55	816.41 (16/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1031.97	1041.22	1044.79	1047.65	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	428.45	433.15	427.96	441.62	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1919.0	1979.0	1996.0	2013.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3026.0	3047.0	3058.0	3103.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	850.84	853.45	853.04	856.64	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	273.82	276.88	276.34	281.86	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Affarsvärlden Gen.	1160.40	1156.90	-	-	-	-
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	759.3	766.1	765.4	771.4	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11814.35	11749.13	11975.29	12271.94	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	818.32	818.58	836.15	841.61	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	523.6	524.9	532.7	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 17: Taiwan Weighted Price: 11804.40 Korea Comp Ex. 866.93

♦ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

New York resists bout of nerves after Tokyo fall

Wall Street

ANOTHER sharp fall on the Tokyo Stock Exchange set the stage for a nervous session in the US market yesterday where prices held stable at the outset and then slumped before recovering a little towards midsession, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 12.16 points lower at 2,562.61 having stood more than 20 points down at one stage during the morning. Volume was moderate with 95m shares changing hands by midsession. The Dow had closed 8.79 points lower on Thursday at 2,574.77.

The Nikkei's 2.6 per cent drop overnight, the fifth largest ever, led to sharp losses in European markets and put US equities on the defensive. However, after a holiday-shortened week which had seen a string of daily losses, the US market showed some ability to bounce back from the morning's lows.

In the face of more weakness in the Japanese bond market, in spite of government buying of bonds to support price levels, US Treasuries put in a steady performance with some long-dated maturities quoted ¼ point higher at midsession. The benchmark long bond was quoted ⅛ point up for a yield of 8.54 per cent.

Morning trade appeared to repeat the pattern on Wednesday when the Dow fell sharply in response to a large decline in Tokyo but then bounced back quite well.

Among featured stocks was Pfizer which fell $3⅛ to $55⅞ after pronounced weakness on Thursday. Pfizer restated its 1989 earnings to account for the possible sale of its pigments business. This reduced net income in 1989 which is now 14 per cent below 1988. Pfizer also said its reserves were adequate for any potential liability on Shiley heart valves.

West Point-Pepperell, whose opening was delayed, surged $4⅝ in active trading in response to a report in the Wall Street Journal saying that the stock, which has been depressed because the junk bond-financed bid for the company by Farley is in difficulty, presents very good value.

UAL dropped $1 to $125⅜ *after the board authorised the* release of financial information to an employee group trying to arrange a buy-out. UAL said it had not received an acquisition proposal from anyone.

Monsanto, which surged on Thursday in response to news that the Food and Drug Administration had cleared Simplesse, a new fat substitute, fell $2⅝ to $109⅛ on profit-taking.

Among blue chips, IBM fell $⅞ to $102⅝, American Telephone & Telegraph dropped $⅛ to $38 and General Electric added $⅛ to $60⅝.

Among hard hit over-the-counter stocks, Tele-Communications A shares fell $⅝ to $13⅛ and SciMed Life Systems, which has been served with a lawsuit alleging patent infringement by Eli Lilley, fell $2⅛ to $19.

Canada

THE falls on Wall Street weakened Toronto and the composite index dropped 15.9 to 3,652.7 on light volume of 14.48m shares. Oil and gas issues, which have enjoyed a good run, followed the downward direction of world oil prices. Cabre fell C$⅛ to C$7 and *Ultramar* C$⅛ to C$7⅛.

ASIA PACIFIC

Nikkei plunges again on programme trading

Tokyo

PROGRAMME trading rocked the market again yesterday. The Nikkei average took its fifth biggest fall in history, plunging more than 900 points in thin trading to close at a new low for the year, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei fell by more than 270 in the first 15 minutes of trading, and more than 700 by the morning close. By early afternoon, it had plunged below 35,000, which had widely been considered a strong resistance level. It ended the day 935.87 points, or 2.6 per cent, lower at 34,890.97.

Volume was a paltry 445m shares, down from the 524m traded on Thursday. Declines far outnumbered advances at 895 to 109, with 114 unchanged. The Nikkei's high was 35,803.28 and the low was 34,840.98.

The Topix index, a much broader-based measure than the Nikkei, suffered its third biggest drop this year and closed 60.78 lower at 2,554.31. In London, the ISE/Nikkei 50 index shed 24.80 to 1,850.98.

With yesterday's sharp fall, the Nikkei closed a staggering 2,331.63 points lower than its level at the beginning of the week, having lost a little more than 6 per cent in just five days. The leading market index is now 10 per cent off its record high of 38,915.87, which it reached at the end of December last year.

Analysts cited selling in arbitrage with the futures market as the main culprit behind yesterday's sharp fall. While arbitrageurs sold on the cash market to unwind their futures positions, share prices tumbled because there was little buying interest to give the cash market support.

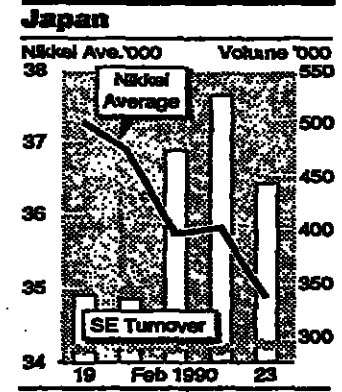
Buyers were hard to find, in a gloomy environment of rising interest rates, a sagging yen and a weak bond market. "Institutional investors were just watching the market plummet," said one Japanese trader. "There was nothing they could do."

Institutions did not want to come into a falling market, even at these lower prices, and risk further losses before they close their books at the end of March. Brokers could not do much either, since, as one foreign broker put it, "they're up to the hilt with these stocks and can't take any more."

Individual investors, who were quick to lend the market support after Black Monday, were also put off by the bleak outlook for the yen and for interest rates. The triple merits of a high yen, low interest rates and cheap oil prices, which supported the great Tokyo market rally in the 1980s, have been wiped out, analysts said.

Yesterday, further weakness in the yen and in the bond market weighed on equity prices; and rumours that a scandal involving a leading politician was about to be revealed, now that the national parliamentary elections were over, added to the market's jitters. It is expected to stay volatile until trading in the Nikkei futures March contract and the options contract close on March 7 and 8.

Japan



The most actively traded issues were all moving in negative territory. Big steel companies were the target of heavy selling. Nippon Steel topped the list with 11.9m shares and lost Y20 to Y670. Kawasaki Steel followed with 8.9m shares *and fell Y19 to Y736.*

Osaka suffered a sharp fall of 720.00 to 36,475.25. Volume fell *to 56.9m shares from the 63.7m* traded on Thursday.

Roundup

TOKYO'S TUMBLE provoked declines elsewhere in the region, but the damage was limited in most cases by bargain-hunting.

HONG KONG ended down but up from the day's lows as afternoon bargain-hunting helped prices to recover from a *sharp tumble precipitated* by Tokyo's continued plunge.

The Hang Seng Index dropped 33.61, or 1.1 per cent, to close at 2,894.13, up from the low of 2,863.15. The index fell 1.5 per cent over the week. Turnover yesterday was HK$1.2bn, from HK$1.4bn.

Encouraging results from Hong Kong and China Gas, which jumped 60 cents to HK$23, and rumours regarding second-liners helped stimulate bargain-hunting. Crusader Investment, the mining issue, topped the most active list in speculative trading. It fell 3 cents to HK$1.02.

SINGAPORE closed weaker, disheartened by the sharp losses in Tokyo, although the market did show some resilience, fighting back in the afternoon as investors sought low-priced stock. The Straits Times industrial index fell 13.56 to 1,548.97, losing 2.3 per cent since the previous Friday.

Malaysian-based stocks found support, buoyed by second and third tier stocks which have enjoyed heavy interest from smaller investors. However, large investors stepped aside to await the US and European markets' reaction to the Tokyo fall and volume dropped from recently heavy levels to a fairly light 146m shares, worth S$265m. KUALA LUMPUR also slipped, as the composite stock index lost 6.66 to 601.25, a 2.1 per cent fall over the week.

NEW ZEALAND fell, with Barclays index down 14.18 at 1,799.00, its lowest level since December 19 1988.

Overseas events and local politics afflict Australia

Chris Sherwell explains why shares are languishing

RENEWED gyrations on the world's leading stock markets and pre-election worries about domestic economic policy have deepened the malaise infecting Australian shares.

Yesterday, the widely watched All Ordinaries index slithered 28 points, falling below the psychological 1,600 level to 1,581, leaving it 3.7 per cent down on the week and underlining the weakness it has shown since it enjoyed a brief spell above the 1,700 mark in early January.

Since the middle of last October, when all markets were hit by a mini-crash, the index has spent most of its time languishing in the 1,600 to 1,700 range. Although this is well above the low of 1,150 in the aftermath of the October 1987 crash, it is far below the record of 2,305 set a month before that.

Australian analysts do not foresee any imminent change in this uninspiring situation, at least until after the general election, called a week ago for March 24.

The principal explanation, they say, lies with international developments. These traditionally provide a lead for the local market – as this week's falls in Tokyo have again confirmed – and mostly they have been discouraging.

"The single major reason why the Australian market has not shifted is that international interest rates have been climbing," says Mr John North of stockbrokers JB Were.

The tightening of monetary policy in West Germany and Japan, and the prospect of further constrictions, have prompted investors to question falls in the level of Australian interest rates, he says.

These falls, initiated by the Labor Party Government before its election campaign, ended an 18-month period of steadily tightening monetary policy, which had hit most sectors of the economy. Not only had domestic demand slowed, but asset values had been slashed and highly geared corporate high-flyers squeezed.

Mr Alan Bond's debt-burdened business empire was one of the most celebrated victims, and the ever-lengthening list of problem companies now includes Mr Christopher Skase's Qintex media and resorts group, the Hooker and Girvan property companies, the Goldberg textile empire, the local Budget car rental business and Mr Russell Goward's Westmex group.

Significantly, however, the Government's easing of policy has brought no fundamental change in sentiment. According to Mr Ian Wenham of BZW Australia, the easing initially reduced bond market rates and helped the equity market; but it was overtaken by developments abroad.

The Government's easing of policy has brought no fundamental change in sentiment

Indeed, the contagion affecting entrepreneurs has continued to spread to companies such as News Corporation, Adelaide Steamship and FAI Insurances. The media index, for example, has lost 12.6 per cent in February alone, and 22 per cent since the beginning of the year. Whereas it used to be safe to buy the top 50 companies, now even the blue chips are under close scrutiny.

According to James Capel, the brokers, the best prospects lie in resources stocks, particularly gold, and in the banking sector. Of the others, it favours internationally oriented companies, such as BTR or Brambles, and those paying high dividends.

Still, there is caution everywhere. The Australian market, with its prospective price/earnings ratios of about 10, may look relatively cheap. But with long bond yields at more than 13 per cent, corporate profits falling and interest rates unlikely to decline much further, analysts say it is difficult to see where the push for equities will come from.

International investors, whose influence over the market's direction is strong, must also make judgments about the Australian dollar. In the current environment, this has become more difficult because of the clear tussle between the Government's desire to lower interest rates for domestic reasons and its need to maintain a high differential with foreign rates in order to underpin the currency's strength and restrain inflation.

The need for monetary policy to continue to play a prominent role in tackling this latter objective was underscored this week by the Labor Party's announcement of a vote-seeking package of economic measures, offering tax cuts, and flat wage increases.

This latest "accord" with the trade union movement foreshadows an increase in wages of 7 per cent in the financial year ending in June 1991, set against an assumed inflation rate of 6 per cent. But there are no productivity offsets for the agreed rises.

Brokers regard the package as a step backwards, because, as BZW's Mr Wenham puts it, "it will trap inflation at 6 per cent-plus, and limit the fall in interest rates in the medium term." It is a view echoed by economists, business groups and, above all, the opposition Liberal and National Party coalition, which insists that inflation and workplace productivity should be priority targets of economic policy.

Analysts nevertheless express uncertainty about the impact of a Liberal-National Government, not least because of the vagueness, at this stage, of its proposed policies. Because the two sides are running neck and neck and many voters remain undecided, analysts foresee a flat share market during the campaign, while investors at home and abroad wait until the outcome looks clearer.

EUROPE

Volvo move ends interesting week for Sweden

REACTIONS to Tokyo apart, yesterday was the climax of an interesting week for Sweden, while Switzerland lost some of its speculative appeal, *writes Our Markets Staff.*

STOCKHOLM recovered slightly on the apparent resolution of Sweden's political crisis, and before news from Volvo. The Affärsvärlden index rose 3.5 to 1,160.4, to finish the week 1.2 per cent below the previous Friday's close.

Analysts, however, were not impressed by revised austerity measures for the economy, stripped of earlier plans for dividend and wage freezes and a ban on strikes. "The measures are not really strong enough to make me believe that interest rates will come down," said Mr Anders Bratenius of Barclays de Zoete Wedd. "The market looks fundamentally overvalued."

Trade in Volvo was suspended before the announcement of its link-up with Renault, which came just after the close. The complex deal involves Renault buying a 10 per cent stake in Volvo on the open market. "The only way the Volvo price will move in the future is up," said Mr Robert Mocatta, European motor industry analyst at County NatWest.

ZURICH, enlivened in midweek by Ciba-Geigy's opening of its registered stock to foreigners – and its conversion of participation certificates (PCs) into registered form – reacted to Tokyo's overnight drop. The Crédit Suisse index fell 9.1 to 601.2 and turned what would have been a rise on the week into a 1 per cent fall.

Yesterday, Union Bank reported good profits, a better than expected rise in dividend, brought SFr2bn of hidden reserves to book and proposed to convert its PCs into bearers.

However, there was no bonus element in the conversion terms, and banking regulations effectively prevent the sector from opening its registered shares to foreigners.

UBS ended with falls in all three classes, the bearers of SFr125 to SFr3,795, the registered of SFr13 to SFr886 and the PCs of SFr0.50 to SFr150.

PARIS looked at Tokyo and lost ground. Volume was particularly low because of school holidays. The CAC 40 index recovered from a low of 1,790.21 to finish down 33.29 points, or 1.8 per cent, at 1,803.62, for a 3.6 per cent decline on the week. Turnover was estimated at similar to, or less than, Thursday's FFr1.8bn.

Peugeot was one of the few active stocks, rising FFr3 to FFr753 in volume of 494,400 shares. Interest was mostly speculative, stirred up by news of the deal between the state-controlled Renault and Volvo of Sweden. Peugeot has long been expected to form a link with a European company.

Union des Assurances de Paris, the state-controlled insurer suspended on Thursday, gave details of its capital increase, whereby it will issue 16.8m shares at FFr625 each, FFr6.6m worth of which will be issued on French and foreign stock markets, with the rest reserved for the state.

Arjomari Prioux, the paper maker, lost FFr159, or 6.4 per cent, to FFr2,317 in thin volume, on profit-taking after it announced turnover figures in line with expectations. Eurotunnel more than reversed Thursday's gain, losing FFr3.15 to FFr57.35.

FRANKFURT fell on modest volume, the DAX index closing 30.51 lower at 1,789.64, 5.5 per cent down on the week, after a midsession close of 751.25 for the FAZ, down 13.65 points on the day and 5 per cent on the week. Turonver shrank to DM5.5bn from DM7.6bn.

Automobile shares suffered the heaviest losses, Daimler falling DM18 to DM863, but Volkswagen shed a little less, DM7 to DM548.50, after saying on Thursday that it would start night shifts to meet demand for its Golf model.

In the steel and machinery sector, Kloeckner-Werke climbed DM4 to DM246 after reporting that 1989 operating profit had nearly tripled.

AMSTERDAM was tugged in both directions – lower by Tokyo and a weak bond market, and higher by Wall Street's opening and a rise in the dollar. The CBS tendency index lost 1.8 to 105.8, a fall over the week of 4.1 per cent.

MILAN recovered from a sharp decline to close 1.0 lower at 661.45, 2.1 per cent down on the week, after Fiat came in to buy back its own stock. Fiat closed at L9,935, up L65 from its level in pre-bourse trading.

MADRID fell sharply in the wake of the plunge in Tokyo, with the general index down 3.06 at 273.82, for a fall over the week of 3.4 per cent.

BRUSSELS took its cue from foreign markets and went back on the defensive. The cash index fell 2.86 to 5,656.33, down 3.9 per cent on the week.

OSLO followed London and Tokyo down and fell in active trading, with the all-share index slipping 7.45 to 604.01, 2.4 per cent below the previous Friday's close. The banking sector resisted the downward trend at the end of a week in which leading banks published healthy annual results.

HELSINKI eased in very thin trade as talks aimed at settling Finland's bank dispute continued. The Unitas all-share index fell 2.1 to 657.9.

ISTANBUL fell sharply, with the bourse index down 235.7 points, or 6.9 per cent, at 3,388.09, a slump of 15.8 per cent over the week.

SOUTH AFRICA

JOHANNESBURG closed weak on nervous selling following Tokyo's dive. Gold shares were also under pressure from a lower bullion price.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY FEBRUARY 22 1990						WEDNESDAY FEBRUARY 21 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	143.83	+0.3	124.37	125.12	−0.8	5.36	143.35	123.92	126.14	160.41	128.28	137.86
Austria (19)	264.76	+2.9	228.95	229.98	+3.1	1.15	257.26	222.39	223.11	264.76	92.84	99.45
Belgium (61)	136.03	−0.1	117.63	118.74	−0.1	4.77	136.16	117.71	118.85	160.02	125.58	134.84
Canada (120)	138.77	+0.5	120.00	120.03	+0.0	3.40	138.06	119.35	120.07	154.17	124.67	132.62
Denmark (36)	251.45	+0.1	217.44	219.82	+0.1	1.46	251.24	217.19	219.54	260.82	165.35	173.56
Finland (26)	148.65	−0.7	128.54	122.78	−0.4	2.42	149.67	129.39	123.21	169.16	118.63	145.32
France (125)	146.04	+1.4	126.29	129.60	+1.5	2.90	144.02	124.50	127.70	157.97	112.57	118.62
West Germany (96)	128.61	+0.5	111.22	111.66	+0.8	1.90	127.92	110.58	110.72	137.01	79.56	84.16
Hong Kong (48)	119.80	+2.3	103.60	120.07	+2.3	4.81	117.10	101.23	117.39	140.33	86.41	132.74
Ireland (17)	190.80	+1.4	164.99	168.97	+1.2	2.58	188.15	162.65	166.90	198.57	125.00	145.07
Italy (96)	95.53	−0.1	82.61	88.09	+0.0	2.81	95.58	82.63	88.06	102.11	74.97	81.90
Japan (455)	173.84	−0.7	150.32	160.32	−0.3	0.51	175.10	151.37	160.82	200.11	164.22	198.12
Malaysia (36)	240.82	+0.7	208.25	250.56	+0.7	2.12	239.14	206.73	248.76	245.32	143.35	159.63
Mexico (13)	373.56	+0.0	323.03	1115.42	+0.0	0.46	373.64	323.01	1115.67	375.00	153.32	159.33
Netherland (43)	135.53	+0.2	117.20	116.32	+0.4	4.82	135.26	116.93	115.82	145.66	110.63	114.41
New Zealand (18)	64.80	−0.1	56.03	58.29	−0.3	5.92	64.84	56.05	58.47	86.16	62.64	70.75
Norway (24)	236.93	+1.5	204.89	207.43	+1.6	1.51	233.52	201.88	204.21	241.98	139.92	170.45
Singapore (26)	194.74	+1.0	168.40	167.19	+1.1	1.74	192.90	166.76	165.34	199.38	124.57	142.05
South Africa (60)	209.79	−1.9	181.41	162.83	−0.5	3.43	213.84	184.86	163.14	251.39	115.35	129.90
Spain (43)	152.05	+0.0	131.48	124.23	+0.0	4.23	152.01	131.41	124.20	169.75	143.14	144.48
Sweden (35)	183.50	+2.4	158.68	165.30	+2.4	2.21	179.14	154.86	161.37	206.96	138.45	154.80
Switzerland (62)	96.73	+0.6	83.64	88.27	+0.4	2.05	96.19	83.15	87.93	99.12	67.81	77.26
United Kingdom (306)	158.27	+0.3	136.86	136.86	+0.4	4.67	157.74	136.37	136.37	164.31	133.28	148.87
USA (542)	131.94	−0.5	114.09	131.94	−0.5	3.80	132.60	114.63	132.60	146.29	112.13	118.54
Europe (989)	140.99	+0.5	121.92	122.47	+0.8	3.52	140.27	121.26	121.74	146.68	112.63	119.03
Nordic (121)	190.96	+1.2	165.13	162.59	+1.2	1.84	188.71	163.14	160.61	201.89	137.95	153.81
Pacific Basin (667)	170.70	−0.6	147.61	157.37	−0.3	0.77	171.76	148.48	157.79	194.72	160.44	192.85
Euro – Pacific (1656)	159.05	−0.2	137.54	143.54	+0.0	1.76	159.39	137.79	143.48	174.18	141.56	163.30
North America (662)	132.26	−0.4	114.37	131.20	−0.5	3.59	132.83	114.83	131.81	146.66	112.79	119.28
Europe Ex. UK (683)	129.20	+0.6	111.73	113.54	+0.8	2.75	128.38	110.99	112.68	135.73	96.30	100.60
Pacific Ex. Japan (212)	132.71	+0.9	114.76	119.94	+0.3	4.76	131.46	113.64	119.53	140.05	111.93	129.87
World Ex. US (1849)	158.97	−0.2	137.46	143.23	+0.0	1.83	159.30	137.71	143.18	173.77	141.49	161.90
World Ex. UK (2085)	147.36	−0.4	127.43	139.63	−0.2	2.14	147.90	127.86	139.88	162.00	136.98	144.90
World Ex. So. Af. (2331)	147.94	−0.3	127.93	139.17	−0.1	2.37	148.38	128.28	139.36	161.84	136.67	145.33
World Ex. Japan (1936)	136.63	+0.0	118.15	128.63	+0.0	3.60	136.66	118.14	128.64	145.52	114.51	119.78
The World Index (2391)	148.31	−0.3	128.25	139.33	−0.1	2.38	148.76	128.60	139.51	162.06	136.66	145.24

Latest prices were unavailable for this edition. Trading on the Helsinki exchange has been reduced following a banking employees dispute.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ $A1	249	-7	44c	1.4	8.0	8.9
191	134	Abbey National 10p	176	......	L7.7	2.7	5.8	7.2
*282	120½	Allied Irish Ord	244	-4	††Q68%	3.3	3.3	12.6
£13½	£11¼	Algemene Fl.10	£11	......	Q28%	2.0	7.9	6.3
*85	61	Anglo Irish	76	-2	Q18.7%	2.7	5.7	10.6
81	57	Ansbacher (H.) 1p	74	......	2.0	-	3.6	-
£72¼	£38	Bancaire Cie Fr100	£52¼	-¾	Q12½%	-	2.5	-
£46¼	£35¼	Banco Bilbao Viz	£38	......	Q35.7%	2.0	3.6	13.9
£33	£25½	Banco de Santander	£25½	......	Q25%	2.4	4.1	5.5
*286	169	Bank Ireland Ir£1	257	-2	Q12%	3.2	4.5	8.8
£19½	£17½	Bank Leumi	£19½	......	-	-	-	-
350	345	Bank Leumi (U.K.)	345	......	†13.5	-	5.4	-
125	88	Bank Scotland	114	-3	†3.8	3.6	4.4	8.2
111¼	95½	Do. 9¼pc Irrd Pf	96¾	+½	9¼%	-	12.7	-
*67	49	Bank of Wales	52	......	2.8	1.6	7.2	10.9
*588	404	Barclays £1	550	-6	†23.0	3.5	5.6	6.3
31	19	Benchmark 20p	19	......	1.63	1.0	11.4	10.9
363	285	Brown Shipley £1	310	......	†10.5	-	4.5	-
455	325	Cater Allen £1	410	-3	23.5	-	7.6	-
259	157	Chancery	167	-2	†8.0	2.8	6.4	7.4
£23¼	£14½	Commerzbk DM10	£20½	-⅛	Q18%	-	3.3	-
*£29	£22½	C'hgn.Hbk. Kr100	£24½	+¼	Q15%	-	5.9	-
£16¾	£10	Dai Ichi KBk Y50	£10	-⅛	†Q16%	8.8	0.3	36.1
*£310½	£151	Deutsche Bk DM50	£278	-3½	Q24%	-	1.6	-
£22¼	£17½	Espirito Santo	£19½	......	Q75c	3.3	2.4	13.0
260	182	First Nat. Fin. 10p	213	-4	13.0	2.4	8.1	6.6
134	90	FNFC 6.3pc Cv. Pf	110	-1	6.3%	-	7.6	-

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

For Water Package Units see Recent Issues

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p.... γ	83	+2
Craig & Rose £1.. γ	630	......
Finlay Pkg. 5p.... γ	58	+2
Holt (Jos) 25p.... γ	1353	......

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln. 1996	£98¼	−¼
Fin. 13% 97/02	£108	......
Arnotts	440	+25
Carrol (P.J.) ...... γ	155	......
Hall (R. & H.)	185	......
Helton Hldgs ...... γ	90d	−1
IRG	210	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Stock	p
Lonrho	23
RTZ	45

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FINANCIAL TIMES
Weekend February 24/February 25 1990

Sharp fall in Tokyo stock market fails to spark worldwide rout

By Our Financial Staff

THE TOKYO stock market fell sharply yesterday for the second time this week amid fears of rising interest rates, a weakening of the yen and rumours of a new financial scandal.

However, the renewed drop failed to turn into a worldwide rout in spite of sharply lower equity prices in Frankfurt and at the start of trading in London and New York.

The Nikkei index of leading stocks plunged 935.87 to 34,890.97, its lowest level since October, following a 1,161.19 fall earlier in the week. Although the Tokyo market lost 6.9 per cent of its value over the week, falls in London and New York were more restrained.

In London yesterday, the FT-SE 100 index closed at 2,236.7, down 32.5 points on the day and 3.8 per cent lower on the week. At mid-session in New York, the Dow Jones Industrial Average was nine points lower at 2,565.77, for a loss of about 2.8 per cent since the previous Friday's close.

Continuing fears of a further rise in Japanese interest rates undermined confidence in shares, in spite of a denial from Mr Ryutaro Hashimoto, the Japanese Finance Minister, of an imminent rise from 4.25 per cent in the Official Discount Rate, the crucial short-term rate which is well below short-term market rates.

The Finance Ministry bought government bonds worth an estimated Y100bn (£400m), in the second such operation this week. The ministry last bought bonds nearly three years ago. None the less, the benchmark 119th issue closed yielding 6.895 per cent, against 6.79 per cent on Thursday.

The yen also fell in spite of central bank intervention.

There was, however, little sense of panic among investors, in spite of yesterday's 2.6 per cent drop in the equity market. Only 445m shares were traded.

Rumours abounded in the absence of firm news, including reports of a new stock scandal involving politicians and periodic, unsubstantiated tales that falling prices had inflicted heavy losses on one or more financial companies.

Curtain falls on the era of the triple merits, Page 8; London stock exchange, Page 15; World stock markets, Page 21; Week in the Markets, Weekend FT, Page II

Problem Third World debts blamed for largest loss announced by a bank in Europe

Sir Jeremy: 'Worst of the problem should be behind us'

Lloyds Bank suffers record £715m losses

By David Barchard

LLOYDS BANK, the smallest of the Big Four UK clearing banks, has revealed pre-tax losses of £715m for last year caused by problem debts in the Third World.

The loss is the largest announced by a bank in Europe and comes in a week which has produced some of the worst results in British banking history. Midland Bank reported a £261m loss on Thursday, while National Westminster's profits were cut by more than £1bn.

Lloyds' losses followed a decision to put aside £1.74bn against Third World debt. Sir Jeremy Morse, group chairman, said yesterday that the bank had made provisions against 72 per cent of its £4.24bn lending to countries in payment difficulties.

"The worst of this long-running problem should now be behind us," Sir Jeremy said.

The bank's trading performance in the UK, like that of NatWest and Midland, slowed sharply in 1989 after several years of rapid growth. Sir Jeremy indicated that Lloyds was focusing on ways of holding its own in the depressed UK banking market.

It has increased its provision against bad debts in the UK from £58m to £198m in anticipation of worsening conditions.

Without the Third World debt provisions, Lloyds' pre-tax profits last year would have risen, but by only 7 per cent. The group's corporate banking arm and Lloyds Abbey Life both reported profits below last year's levels.

Although profits from UK retail banking were up by 6 per cent overall to £591m, profits from its mortgage lending and its Access credit card business, Lloyds Access, the first big bank credit card to introduce an annual charge, made £11m, compared to £33m in 1988.

Mr David Pirrie, director for UK retail banking, revealed that Lloyds Access was expected to move into the black again this month after the introduction of the charge, following several months of operating at a loss, caused 600,000 cardholders to close their accounts in protest. Lloyds believes, however, that it has largely offset this with new customers for Access and its Visa debit card.

The market pressures of the past year have pushed down Lloyds' risk asset ratio, an important indicator of banking strength, to 7.4 per cent from 10.1 per cent a year ago.

This is below the internationally-agreed 8 per cent minimum, but Sir Jeremy said Lloyds would use proceeds from recent sales of subsidiaries to push it back up to 9 per cent and would not call on investors for new funds unless it made an acquisition.

Kohl seeks US aid to hasten German unification

By David Marsh in Bonn and Peter Riddell and Lionel Barber in Washington

CHANCELLOR Helmut Kohl of West Germany will today ask US President George Bush to throw his weight behind faster progress towards unification after the East German elections on March 18.

Chancellor Kohl will argue that the Bonn Government is no longer in control of the forces driving the unification process. He will point to the destabilising exodus of East Germans coming to the West.

The West Germans are expected to seek support for the possible use of Article 23 of the federal constitution – which allows for other parts of Germany to apply for immediate accession to the Federal Republic. The Bonn Government's move follows proposals for early monetary union now under discussion with East Germany.

The Bonn Government argues that only concrete moves towards political union, together with the merging of legislation in all areas of economic and social life, will be enough to stem the exodus – which has amounted to more than 90,000 so far this year.

President Bush, while fully backing early unification, will urge Chancellor Kohl to be sensitive to the concerns of European allies and neighbours over Germany's borders and over future Nato relations.

Washington and Bonn have recently been working closely together as the timetable for unification has shrunk. Both sides now recognise that the creation of a single legal entity could be only a few weeks away.

Chancellor Kohl, who will praise recent US support for Bonn, will look to President Bush to sell this accelerated timetable to the rest of Nato and to the Soviet Union – which only this week expressed further reservations about the pace of unification.

Bonn's expectations of a speedy merger were put to Washington earlier this week by Mr Wolfgang Schäuble, the West German Interior Minister, and a close confidant of Chancellor Kohl. He said that the position in East Germany after the elections might be so chaotic that the newly-elected parliament in East Berlin might decide to vote for an immediate accession to the Federal Republic. Under the constitution this would take effect automatically.

Accelerated moves towards unification have led to a shift in thinking by US officials. Mr Raymond Seitz, the US Assistant Secretary for European and Canadian affairs, told a Senate Committee this week that there was "a very great possibility, depending on what emerges after March 18, that one could move to legal unity very early in the process, leaving essentially a sovereign independent Germany which would then deal with many of the residual questions that inevitably come up in its wake."

● The planned special summit of European Community leaders to discuss the implications of German unification will be held in Dublin on April 28, an EC spokesman said, Reuter reports from Brussels.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				**PARIS (FFrs)**			
Rises				**Rises**			
Springer	820	+	19	Eurafrance	2400	+	80
Falls				SILIC	833	+	13
BMW	626	–	16	**Falls**			
Kaufhof	614	–	21	Bancaire Cie	505	–	13
Porsche	980	–	17	Cetelem	492	–	8
Sud-Chemie	700	–	15	St. Gobain	522	–	17
Verein-West	400	–	4	Valeo	655	–	8
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
W.P.Pepperell	41⅛	+	4⅝	Showa High	1440	+	200
Falls				Tokai Kogyo	2400	+	210
Matsushita	138¼	–	8⅜	Tokyo Auto M.	1500	+	150
Monsanto	109⅞	–	2⅜	**Falls**			
Pfizer	55⅞	–	3½	Arisawa Mfg.	2250	–	230
SciMed Life	19	–	2½	Lead	1550	–	150
UAL	125½	–	1	Seibu Railway	6310	–	590
New York prices at 12.30.							
LONDON (Pence)							
Rises				Brit.Aerospace	487	–	15
Nat West	354	+	5	Fed. Housing	55	–	6
Panfida	24	+	8	Grand Met	567	–	9
Rank Org.	785	+	6	Guinness	638	–	14
Runciman (W.)	518	+	46	Ramus	75	–	20
Falls				Redland	524	–	12
BAT Inds.	776	–	17	Rolls-Royce	167	–	2
BTR	396½	–	9½	Saatchi & S.	138	–	44
Body Shop	517	–	33	TVS Ent.	92	–	6

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	17	63	Dallas		–	–	Madeira	S	22	72	Prague	S	11	52
Algiers	S	18	64	Dublin	R	11	52	Madrid	S	16	61	Reykjavik	S	-4	25
Amsterdam	S	14	57	Dubrovnik	S	20	68	Majorca	S	17	63	Rhodes	S	15	59
Athens	F	14	57	Edinburgh	C	14	57	Malaga	C	16	61	Rio de Janeiro		–	–
Bahrain	S	20	68	Faro	S	17	63	Malta	F	15	59	Rome	S	20	68
Barcelona	S	15	59	Florence	S	22	72	Manchester	C	14	57	Salzburg	S	14	57
Belfast	F	11	52	Frankfurt	S	13	55	Melbourne	C	19	66	S'Francisco †	S	10	50
Belgrade	S	11	52	Geneva	S	14	57	Mexico City		–	–	Santiago		–	–
Berlin	S	14	57	Gibraltar	C	16	61	Miami †	S	23	73	Seoul	R	7	45
Biarritz	S	24	76	Glasgow	C	11	52	Milan	S	16	61	Singapore		–	–
Birmingham	C	16	61	Guernsey	S	12	54	Montreal †	C	0	32	Stockholm	S	10	50
Blackpool	R	11	52	Helsinki	S	10	50	Moscow	F	5	41	Strasbourg	C	14	57
Bombay	S	29	84	Hong Kong	C	19	66	Munich	S	10	50	Sydney	S	26	79
Bordeaux	S	20	68	Innsbruck	S	13	55	Nairobi	C	23	73	Tangier	S	19	66
Boulogne	S	15	59	Inverness	F	12	54	Naples	S	21	70	Tel Aviv	S	15	59
Bristol	C	15	59	Isle of Man	R	10	50	Nassau		–	–	Tenerife	S	23	73
Brussels	S	15	59	Istanbul	F	8	46	Newcastle	C	14	57	Tokyo	R	13	55
Buenos Aires		–	–	Jersey	F	13	55	New Delhi	S	23	73	Toronto †	Sn	0	32
Budapest	S	14	57	Johannesburg	S	24	75	New York †	C	16	61	Tunis	F	18	64
Cairo	F	16	61	Las Palmas	S	24	75	Nice	S	20	68	Valencia	S	19	66
Cape Town	S	24	75	Leeds	R	14	57	Nicosia	S	16	61	Venice	S	16	61
Cardiff	C	11	52	Lisbon	S	16	61	Oporto	S	20	68	Vienna	S	11	52
Chicago		–	–	Locarno	C	15	59	Oslo	S	9	48	Warsaw	S	13	55
Cologne	S	15	59	London	S	16	61	Paris	S	15	59	Washington †	C	15	59
Copenhagen	S	12	54	Los Angeles †	S	14	57	Peking	S	1	34	Wellington	F	23	73
Corfu	S	20	68	Luxembourg	S	12	54	Perth	F	30	86	Zurich	S	11	52

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Major

Continued from Page 1

anchor for Britain's anti-inflation policy. In an interview earlier this year with the FT he said that he would not delay once the conditions set out at last June's EC summit in Madrid were met.

His first-hand experience since becoming Chancellor in October of the Treasury's continuing worries in targeting various measures of the money supply may have strengthened that enthusiasm.

His public statements on the issue, however, have also stressed the Madrid conditions. They include further progress by other other European Community states towards the creation of the single market, but the most important relate to Britain's domestic economy.

He has insisted that membership would only be workable when Britain's inflation falls to a level closer to the European average and when there are clear signs that the trade deficit is being eroded.

That has led most ministers to judge that a decision would not be possible until the late autumn at the earliest. The Foreign Office believes that entry then would give Britain a much more influential voice at the EC's Intergovernmental Conference on Economic and Monetary Union due to begin in December.

Some of Mr Major's colleagues, however, believe that the conditions should not necessarily rule out an earlier move. Although the recorded inflation rate as shown by the retail prices index will continue to rise in coming months, this will be due mainly to "one-off" items such as the recent mortgage rate rise and the introduction of the poll tax. The underlying inflation rate remains relatively stable.

There is also speculation that the IGC could be brought forward from the end of the year, accelerating the pressure on Britain to take a firm decision on EMS membership.

The other advantage put forward by some ministerial supporters of an early decision to join – that it would allow an early cut in British interest rates – does not, however, find favour in the Treasury.

Saatchi

Continued from Page 1

match market expectations."

S. G. Warburg, the company's broker in the City, cut its profit forecasts and US investors sold heavily.

The collapse in confidence came as investors analysed the company's annual accounts, published on Tuesday. Saatchi had a pre-tax profit of £21.8m in the year to end-September 1989 against £138m in 1988.

Analysts said a slowdown in spending on advertising was partly to blame and would hinder any recovery. Mr Brian Sturgess, of Barclays de Zoete Wedd, said revenues from TV advertising were this year down 25 per cent in real terms.

The profits warning is the latest in a series of reverses for Saatchi, which until 1989 had 18 consecutive years of growth.

The company made 750 staff redundant last year, several directors resigned and Mr Robert Louis-Dreyfus replaced the Saatchi brothers as chief executive.

In June, the company put up for sale its recently acquired consultancy businesses. Talks had officially been stalled until yesterday when the biggest of them – Hay Group – said it hoped to announce a management buy-out towards the end of next month. Hay contributes roughly half of Saatchi's consulting revenues and analysts put a price tag of £50m on it.

Saatchi said yesterday that continued dividend payments to shareholders depended on the sale of the consultancies. The price of the convertible bonds which were issued in 1988 to pay for another consultancy – Gartner – also fell sharply.

At the close of trading last night they were yielding more than 30 per cent to redemption, up from 18 per cent at the start of the week.

Suntory makes a pitch into baseball

By Stephen Fidler in Tokyo and Jurek Martin

THE SKEIN of trans-Pacific relations became even more knotted yesterday, as part of the heritage of the US fell into Japanese hands.

In financial terms, the acquisition by Suntory International, the US subsidiary of the Japanese drinks group, of the Birmingham Barons minor league team, based near Alabama's biggest city, is small beer.

The $3m (£1.75m) outlay might equal a few hours bartakings in Japan and is nothing compared with Sony's purchase of Columbia Pictures for $3.4bn or Mitsubishi Estate's $846m investment in New York's Rockefeller Centre.

However, baseball cannot be reduced to money. Finance may be important, as witnessed by the sad fact that the forthcoming season is threatened by a complex financial dispute between the owners and players, but it is not supposed to be the only thing.

Baseball is not even only about bat hitting, or missing, ball. It is its own living metaphor on the American dream or, at least, those who write so beautifully about it would have us believe.

And the Japanese baseball connection may not end in Birmingham: there have been consistent rumours that Seibu Saison, the retailing concern, is eyeing the Seattle Mariners.

Seattle is not exactly a good team and it is on the Pacific coast, where the threat from Japan is sometimes seen in a more benign light. But the Mariners are a major league side, worth a lot more than $8m, and, if they go the way of the Birmingham Barons, Japan will be seen to have thrown the US a wicked curve from which recovery may not be easy.

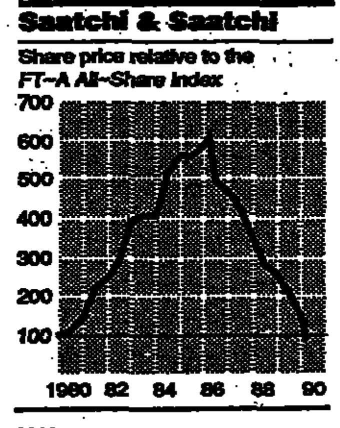
THE LEX COLUMN

Saatchi slips in the ratings

FT Index fell 27.5 to 1,762.3

Saatchi & Saatchi

Share price relative to the FT–A All–Share Index



The most striking aspect of the latest market panic over Saatchi & Saatchi is not the share price collapse – though a two-day fall of 32 per cent is striking enough – but the behaviour of the Euroconvertible. The issue is redeemable in 1993 at a cost of £210m, roughly the same as the present value of the group's equity. At the present price of around 60p, the redemption yield is 30 per cent. On this showing, the market thinks Saatchi is going bust.

The truth is less lurid. Doubtless Saatchi would be pushed to refinance the issue next week; but in three and a half years' time it would be very unlucky to find its balance sheet still in the same horrible mess. All the same, establishing a value for the group's equity is not easy. Supposing pre-tax profit this year reaches £45m – compared with a clean figure of £61m last year – earnings per share after tax and preference dividends could still be zero this year and negligible next.

Perhaps a value could be sought in the 8.7 per cent yield, given the assurance in this week's report and accounts that last year's payment should be sustainable. The company does indeed have enough distributable reserves to make an uncovered payment. But it is not clear this would be prudent behaviour for a group with substantial negative net worth and net debt – leaving aside the convertible – of more than £200m.

Despite all that, it seems clear that Saatchi has substantial net value in the form of its advertising network. However unlocking it may well be a job for others. Meanwhile, it would not be surprising to see the shares drift further.

Clearing banks

Assuming Barclays wants to be helpful next week as the last of the Big Four to report for 1989, it could try shedding more light on why the other clearers seem so out of step in two areas: attitudes to sales of LDC debt, and UK bad debt provisions. If it is true that the UK commercial loan book's riskier property and LBO content was effectively ceded to US and Japanese rival banks in 1987 and 1988, it is hard to see why the clearers' UK experience varies so much. Midland's UK bad debt charge went up 53 per cent, while NatWest's doubled to £320m; and at Lloyds the figure more than trebled to a shade under £200m.

It looks as though in the UK, Lloyds has been putting away everything, including the kitchen sink. It would be nice to know from Barclays whether it thinks this kind of thing is simply profit-smoothing, or whether 1990 is going to be even nastier for the UK domestic economy than the pages of newspaper ads for bust businesses already suggest. As for selling LDC debt back to the borrowers, at discounts which Lloyds reckons average 39 cents on the dollar, NatWest is making the running, Lloyds less so, and Midland thinks bankers are in lemming mode once more. If investors are not to jump to invidious conclusions about why some banks are gung-ho about LDC asset sales and others not, more information is needed on the issue, perhaps from the Bank of England itself.

As for yesterday's results from Lloyds, with pre-tax profits before LDC provisions up 7 per cent at £1.02bn, the question must be how long it can continue to support its premium rating against the sector by managing percentage dividend increases in the upper teens. To an extent the market may still not fully grasp, the answer now seems to rest at the grass-roots level of Lloyds Abbey Life.

Markets

With the FT-SE down more than 200 points from its January peak, it might be thought time to start looking for a floor. But the markets are not operating that way right now. The chief concern of London, as neatly illustrated yesterday, is to ensure that it spends the morning correctly anticipating how New York will respond to the previous night's fall in Tokyo. All the while, the equity markets are taking their lead from bonds. And in virtually all world markets, fixed interest and equity alike, volume has dried up in a universal buyers' strike as investors try to figure out what on earth is going on.

In such a context, the two key pointers for London are German bonds and Japanese equities. With the former it is a matter of waiting for things to calm down and find a level, which might conceivably prove to be not much lower than now. As for Tokyo, with hindsight its fall is not too surprising; indeed, Nomura's Tokyo headquarters said at the start of this month that in relation to fixed interest, the Tokyo market was even more overvalued than it had been in October 1987. But given that two such normally phlegmatic markets have been behaving like this, the private investor would do well to copy the professional and wait for the storm to blow by.

Volvo/Renault

The tie-up between Volvo and Renault may be the inevitable response of medium-sized players faced with the giants of the motor market: but Volvo seems to be paying a higher price for the alliance. Based on the companies' own values for the truck and bus businesses, the Renault stake Volvo is acquiring is worth less than the stake it is losing. The current profitability of Renault is hard to assess, but the likelihood is that Volvo will suffer a dilution to its earnings which may be accompanied by a potential dilution of the brand name, in the car market at least. And to cap it all, Volvo is shelling out over £1bn net for the privilege of investing in a nationalised company, one which still faces problems with the European Commission over an earlier French government write-off.

There are obvious potential gains from the partnership, particularly in the trucks business: the geographical fit is good, development and marketing costs can be shared and buying power can be increased. But the problem with the favoured European system of crossholdings is that these benefits will take longer to accrue than they would through a straightforward takeover. The latter, of course, will have been politically out of the question. A free market in European companies looks a lot further away than 1992.

Weekend FT

Weekend February 24/February 25, 1990

Junk bond king Michael Milken rose to fame and fortune with one simple idea. His collapse has rocked Wall Street to its foundations. ***Janet Bush*** *reports*

The man who fell to earth

"I WAS just thinking what whizz-kid times these are," Frederick Joseph said, bursting suddenly with excitement, feet dangling boyishly over the arm of a comfy chair in his Broad Street, New York, headquarters. Less than three weeks later, the chief executive officer of Drexel Burnham Lambert told his stunned employees that the investment bank was filing for bankruptcy. His enthusiasm on the edge of the precipice speaks eloquently of the character of a company whose rise and fall will go down as one of the most remarkable episodes in Wall Street history. The Street is still shaking with the reverberations of Drexel's fall.

It was Joseph who harnessed his company to the fathomless talent of a man who will be remembered as one of the most influential financial brains the world has seen. Michael Milken, a rather frightening workaholic and loner with a genius for making money, was the weapon with which Drexel assaulted the US financial establishment.

Around the brilliance of the odd, anti-social Milken was built the most powerful and controversial force in the financial mayhem unleashed by Reaganite market forces in the 1980s. The reliance of Drexel Burnham Lambert – as the company came to be called – on this single source of creative genius was responsible for its stellar rise to prominence – but also held the seeds of its eventual destruction.

Milken was given unprecedented autonomy, effectively running a secretive firm within a firm. The vast amount of money which his operation generated and its independent, buccaneering style attracted the attentions of federal prosecutors and eventually led to the indictment of Milken and Drexel on multiple charges of securities fraud. Although Drexel has pleaded guilty to six felony charges and paid $650m (£382m) in fines, Milken has yet to appear in court and has continually protested his innocence.

Little more than a week ago, Drexel, after settling with authorities and casting out Milken, came to an abrupt, embattled end.

Many people believed that Drexel's fate was sealed on the day Milken resigned in June last year. They were right: first its bank financing dried up, then days later it was forced to file for bankruptcy. In the steepest fall from grace Wall Street had seen, Drexel fired its entire 5,000 staff and all but closed its doors for business.

Its rise had been swift: an also-ran racing up from behind to the annoyance of bookmakers and the delight of the crowd. Its stumble into oblivion was even quicker and few tears were shed. At first, it inspired awe by its power to conjure up money and to make kings out of court jesters. But by the end, competitors were fed up with Drexel's arrogance and ungentlemanly methods, while regulators were relieved to see the back of a company which they believed often sailed far too close to the reefs of impropriety.

Politicians cheered the demise of a company which they blamed for launching the US on a spree of takeovers backed by piles of debt which had left corporate America frighteningly fragile.

The pre-eminence of Drexel stemmed from one quirky but clever idea based on sound economics. Milken realised that distressed bonds – those being traded for much less than their face value because the issuing company had fallen on hard times – could offer great investment opportunities. The discounted price enabled buyers of these second-hand bonds to obtain a much higher yield than they would get from a more secure investment. This extra reward compensated buyers for the risk that the issuing company might eventually default on its obligations.

After studying the records, Milken concluded that the chances of default were in many cases much less than was suggested by the level of return to investors in these junk bonds – a jokey term which Milken would later regret inventing. In other words, junk bonds were a great investment because the potential rewards outweighed the risk.

Then Milken – supremely self-confident, obsessed with becoming rich but with a distaste for hierarchy – realised how junk bonds might be used to help those small emerging companies which could not easily get credit (on economic terms) from premier firms on Wall Street. The two strands of his thinking converged with explosively lucrative effect.

After the merger in the early 1970s of Drexel Firestone and a brash little brokerage called Burnham & Co, everything was done to encourage Milken's money-making alchemy. He moved back to his native California and set up shop among the palm trees of Beverley Hills. There, from his famed X-shaped desk in the middle of a trading floor which he ruled with iron fist and steely intellect, Milken began to put his theories into practice.

With the fervour of an evangelist, he preached junk bonds, built up a loyal – some said a sycophantic – network of buyers and raised capital for small companies through offerings of junk bonds.

As returns soared and money poured in, Milken's vision broadened. He added to his stable a collection of would-be entrepreneurs such as Victor Posner and Ronald Perelman. The instant billions available from Milken's network soon turned the financial world topsy-turvy in a bloodless but far-reaching financial revolution.

Although widely dismissed in the beginning, the financing of takeovers by junk bonds eventually won academic acceptance. Even corporate managers came to agree with Milken that companies bought with a large pile of debt became more streamlined and more efficient. The need to pay off debt imposed a necessary discipline on companies which had been sloppily run. Men running nondescript companies, financed by Milken's operation, were suddenly capable of taking over venerable corporations perhaps 10 times their size.

Milken gave the fat established guardians of corporate America a fright which few will forget. Complacent boards, content to give their shareholders steady but unspectacular returns, suddenly found themselves vulnerable to challenges from men they would never have invited home to dinner.

It was when Milken and partner-in-ideas Frederick Joseph wedded Drexel's ability to raise junk bond capital with takeovers that the company began to surge into the front line. Joseph's dream of building Drexel into an enduring institution such as Goldman Sachs propelled him to to the top of the firm.

One Wall Street specialist described the partnership like this:"As one vulture said to the other: 'Forget patience – let's go and kill something.'"

In the mid-1980s, Drexel started making kings. It backed the Texas oil magnate T. Boone Pickens in his attack on Gulf Oil, forcing it to merge with Chevron. Pickens lost, but made $400m in trying.

In April 1985, Nelson Peltz and his partner Peter May, backed only by a controlling interest in an old vending machine, wire and cable company called Triangle Industries and a pile of Drexel junk bonds, bought the major US industrial corporation, National Can. An unprecedented $565m of debt was backed by only $100m equity in the first of what would become a wave of highly leveraged or indebted takeovers. Triangle's 1984 revenues were only $291m, compared with National Can's $1.9bn. With that leg up, Peltz and May controlled an empire with $4bn in revenues.

The tone was set. In August, cigar-toting Ronald Perelman bought Revlon for $900m and in December, corporate raider Carl Icahn bought the airline TWA for $1.2bn with $660m in junk financing from Drexel.

The era of mega-takeover deals was under way. Milken's ability to raise cash from his loyal network of junk buyers was so stunning that a raider would launch a deal on the basis of a simple statement from him that he was highly confident of financing it – what came to be called "the highly confident" letter.

By the middle of the decade, Milken's billions had propelled Drexel into the consciousness of American's most powerful financiers and corporate chieftains. It became a main source of financing for specialist buy-out firms such as Kohlberg Kravis Roberts and began to be hired in takeover deals being run by other investment banks, if only to prevent the opposition from getting its services.

With an after-tax profit of $545m in 1986, Milken's vehicle had vaulted from obscurity to become the richest firm on Wall Street: hated with fury by some, loved by others who had received a slice of the cake. Even the most discreet, wood-panelled Wall Street houses such as Morgan Stanley and Goldman Sachs cast off their conservative weeds to keep pace with the tastelessly aggressive interloper. They began to finance deals with their own money – the so-called bridge loan.

"They initiated bridge financing, at great risk to themselves, in a desperate attempt to compete with the 'highly confident' weapon," says Connie Bruck, author of *The Predators' Ball*, a celebrated account of Drexel's rise to power. "What had happened by the fall of 1986 quite simply, was that Milken had cast not only Drexel but to a large degree the Street in his image." Dark-suited investment bankers, who had carefully nurtured trusting relationships with blue chip clients, turned into prowling egos, hungry for the next deal and more, ever more, dollars. The most successful luminaries gambolled across the society pages with queens of the fashion world and kings of real estate, an ironic contrast with Milken's reclusive genius.

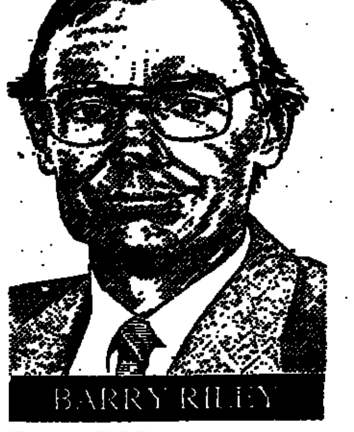
KKR's Henry Kravis, a takeover dynamo married to fashion designer Carolyne Roehm, was a favourite of paparazzis as he swept in and out of lavish parties. John Gutfreund, chairman of Salomon Brothers, became more notorious for the opulent consumption of all things French by his wife Susan, a former Pan Am stewardess, than for running the most powerful trading machine of the 1980s.

Investment bankers became the swaggering heroes of capitalism, sometimes

Turn to Page IX

The Long View

Sugar-daddies with sour faces



BARRY RILEY

It could be seen as sheer bad timing that investors in both Germany and Japan have turned their attention away from international bonds

SELL AFTER an election. The old market wisdom came good again in Japan this week. After the polls are closed, the politicians can stop promising favours and can get on with the necessary dirty work, like raising interest rates. In fact, the bureaucratic manipulators in Tokyo have held back for the time being, but Wednesday's sell-off in the stock market, which appears to have punctured all the chartist support levels, was a sign that an unambiguous message had got through to the Japanese institutions. Around the world, though, the equity markets have been remarkably slow to respond to the blood-bath in bonds.

It is odd to think that, as recently as last summer, I wrote a column about the global fall in real long-term interest rates – a somewhat mysterious trend even at that time in view of the buoyancy of the world economy which normally would be expected to drive rates higher. Bond yields bottomed out in July, but it was on the back of that previous decline in rates that stock markets continued to make new highs up to (and even in some cases beyond) the end of the year.

Rising inflation might have been expected to have made bond investors more cautious in the middle of 1989. Average inflation in the 24 member states of the OECD rose from 3.2 per cent in 1987 to 4.8 per cent in 1988 to 6 per cent last year. Last summer, though, the global capital market was dominated by the out-flows of long-term capital from Japan and Germany. It became possible for the US Treasury to finance its deficits much more easily, as net bond purchases by foreigners proceeded at an annual rate of around $50bn and the long bond interest rate fell a point to 8 per cent or so.

That still gave a sizeable spread over the Japanese government bond yield of 5 per cent at that time, although German yields were rather higher at nearly 7 per cent.

The benign effect of these out-flows was such that a mood of considerable optimism became prevalent. By the end of last year, Japanese private sector institutions alone held net external assets worth some $350bn, almost all acquired during the second half of the 1980s. The global imbalances were no longer a problem and the tiny savings propensity of American citizens, so inadequate to finance their government's spending ambitions, could be tolerated.

It has all worked out so differently in 1990, though. Japanese bond yields have rocketed to near 7 per cent, German bonds are now returning not far short of 9 per cent, and the implications for the remainder of the industrialised world are profound. That one of the global sugar-daddies should turn introspective was always a reasonable risk, given that neither of them has a long-term liking for the role. But that it should happen to both of them at the same time must be regarded as bad luck, although perhaps no more than is deserved by spoilt big-spenders like the US and the UK.

The German adjustment is being forced by the externally derived political shock which is making possible a sudden unification with the East. That is bringing a sharp and immediate rise in an already substantial fiscal deficit and, further out, will generate a large increase in investment. As a result, the Federal Republic's trade surplus will shrink or even disappear; and so will the offsetting capital outflows.

In Japan's case, however, the change has been more predictable – in nature, at least, if not in timing. Over the past couple of years the Japanese government has, uncharacteristically, chased short-term objectives which could lead only to eventual trouble. A slack monetary policy has served to hold down the yen and low interest rates (plus relaxations of limits on institutional holdings of overseas assets) have encouraged capital to flow abroad and bail out the Americans. But the effect also has been to perpetuate the trade surplus, and what matters critically now is that great risks have been taken with inflation.

Curiously, the uniquely Japanese labour market has more or less been able to stand the strain, even in an over-employed economy; and, in the event, inflation has mostly been confined to the asset markets. But that has proved to be embarrassing enough, especially when the Tokyo property market began to surge again last year (after the failure of the Bank of Japan's jaw-boning campaign) followed by the stock market's crazy fling just before Christmas.

The phase of yen weakness must have run its course. During the four years of stability or softness in the currency, Japanese investors have been educated to take a quite different view of overseas exposure, with the scope for currency gains rather than the losses which hit them like a bombshell in the mid-1980s. But this phase of overseas orientation is ending with a flurry of speculative interest by retail investors in European, and especially German, equities which looks like ending in tears.

In the meantime, the fundamental justification for Japanese life companies to send money abroad – that it was the only way they could obtain the required level of bond returns – is rendered out-of-date by the rise in domestic bond yields. And, of course, if the yen should begin to appreciate, existing profits on dollar-denominated securities would be at risk.

As for the Japanese equity market, the average price-earnings ratio during the easy money period has climbed from 30 to 60. Japanese companies are still performing splendidly and the market is underpinned by the prospect of solid earnings growth. Shifting to a higher interest rate regime without causing a sharp stock market correction will, however, test the Japanese consensus to the limit – and very likely beyond.

CONTENTS

MARKETS

FINANCE & THE FAMILY: THIS WEEK

So you're thinking of buying property . . .

PERCIVAL Pilkington-Ponsonby, aged 30, missed out on the last property boom. His contemporaries all bought their flats in the early 1980s at a time when Percival was expanding his global perspectives by rucksacking his way around the world. Now, though, he has returned and, with property prices tumbling, has decided to take the plunge and become a first-time buyer. What are his options? **Sara Webb** investigates — **Page III.**

Time runs out for PEPs

WITH THE end of the fiscal year approaching fast, time is running out for investing in personal equity plans under the old rules. In particular, it could be your last chance to inject an overseas share element into your PEP portfolio. **John Edwards** sets out the reasons for acting now — **Page V.**

Jersey rings pension changes

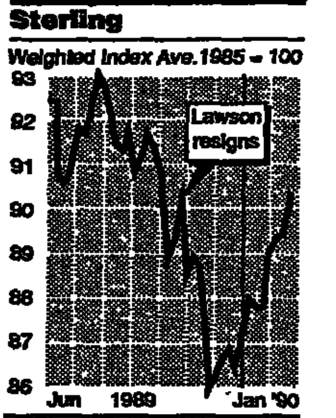
PERSONAL pensions have become an established feature of retirement planning in the past two years. Now, as a result of a scarcely publicised but very significant change in Jersey tax legislation, such pensions are available to British expatriates as well as to non-British nationals resident outside the UK and the Channel Islands. And Jersey brokers are anticipating a flood of new business, says **Peter Gartland** — **Page VI.**

Coming up Trumps — in England

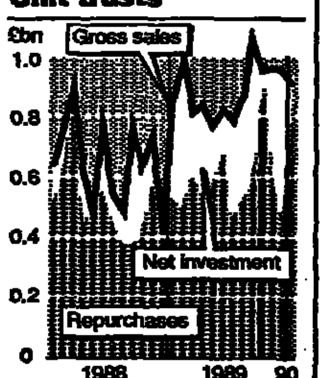
ENCOURAGED by a caterwauling set of New York career women, Ivana Trump has decided to forget the pre-nuptial agreement with husband Donald that would give her $20m, plus a $5m mansion in Connecticut, and is going for a serious share of the property billionaire's assets. She must, though, be wishing she were in England where the courts are jealous of their role in divorce settlements and will not be bound by any pre-marital pacts, reports **Christian Tyler** — **Page VI.**

■ **BRIEFCASE:** Wife's gift to daughter: **Page VII**

Sterling



Unit trusts



Sterling index surges over 90 once more

THE STERLING index rose above 90 this week for the first time since the crisis early in October caused by the resignation of Nigel Lawson as Chancellor. The low point for the currency — 85.7 — was touched on December 28 at a time when the markets were casting doubt on the Government's commitment to fighting inflation. Since then, however, the index has risen steadily, surging strongly over the past few days following repeated ministerial statements in favour of high interest rates in Britain for some time to come. Sterling has also gained as a haven for short-term money seeking out high returns at a time when investors are remaining relatively neutral about other currencies. It has advanced across the board: by 7.9 per cent against the yen since the end of December, by 6.3 per cent against the dollar, and by 4.9 per cent against the Deutschemark. — *Terry Dodsworth*

Unit trust investment plummets

NET NEW investment in the unit trust industry slumped in January as many investors cashed-in their holdings. Compared with a year ago, the net investment figure was down by almost 60 per cent to £129.9m, against £324.7m. In December, it amounted to £510.2m. The fall reflects a big jump in the number of holdings sold back to the funds, amounting to £772.1m against £521.2mn in January last year. Gross sales rose to £902m from £845.9m last year, while the number of unit-holder accounts increased to 4.9m from 4.84m in January 1989, and 4.88m in December. The value of funds under management was £56.97bn in January compared with £58.2bn in December and £45.9bn a year ago. — *T. D.*

. . . and society receipts slump

THE FLOW of funds into the building societies was "uncomfortably low" in January, according to the Building Societies Association. Receipts for the month were about 50 per cent lower than in January 1989. The statistics, which are not strictly comparable because of the flotation of Abbey National in July 1989, showed net receipts of £369m in January against £784m in the same month of last year. Total in-flows over the past three months, which were affected by withdrawals to buy water shares late last year, are only slightly above the figure for October 1989 alone. Gross receipts amounted to £8.1bn compared with £9.4bn in the previous year, while withdrawals stood at £7.7bn against £8.6bn in January 1989. Gross mortgage advances rose to £3.3bn in January compared with £2.8bn a year ago and £3.6bn in December. — *T. D.*

Sara Webb adds: Several societies raised their mortgage rates this week following Abbey National's increase to 15.4 per cent on loans under £60,000. The Woolwich went to 15.25 per cent but the Alliance and Leicester, Nationwide Anglia, Bradford & Bingley, Leeds Permanent and Cheltenham & Gloucester all matched Abbey. Lloyds Bank raised its rate to 15.7 per cent.

LONDON

Winds from the East give Footsie a chill

SOME VERY chilly winds from the East have swept through the London equity market over the past few days, pushing the indices down sharply to levels not seen since the start of the year. The FT-SE 100 index began the week on a poor note, dropping through the 2,300 psychological support level on Monday. For three of the next four trading days, it was on a downward path.

International influences were the main reason. Japan provided the most dramatic push, with the Nikkei stock average plunging – by 3 per cent on one day alone – in the wake of last weekend's election on fears of a further rise in local interest rates and inflation.

The world financial markets generally have been unsettled since the start of the year by the threat of rising inflation and interest rates – fears exacerbated by the turmoil in eastern Europe, particularly the rapid moves towards German re-unification.

The prices of world bonds have plunged, pushing up their yields, and this has stretched the normal gap between the yield on equities and fixed income securities, ultimately putting downward pressure on the price of shares to boost their yields. The UK might not have been at the centre of this turmoil, but nor has it been immune. The gap between the yield on UK government bonds and equities now stands at around 6.2 per cent, the highest for a considerable time and above the long-term average of around 6 per cent.

Britain's domestic economic worries have added to the bearish pressures on the bond and equity markets. In particular, the markets were unsettled by reports this week that the Government might have to raise its inflation forecast for the year, and a further indication that it expects interest rates to remain at their present high level for the foreseeable future. On a brighter note, sterling has been performing remarkably strongly; but with the Government determined not to relax its anti-inflationary stance, it is hardly likely to use the currency's strength to cut interest rates.

None of this augurs particularly well in the short term for the equity market. One London securities house, Kleinwort Benson, predicted this week that Footsie could fall as low as 2,000, due mainly to international events.

The British market can detach itself from the global trend only to a limited extent - and the degree of insulation will be influenced significantly by the figures reported during the large annual corporate results season which is now beginning. This week saw Imperial Chemical Industries - traditionally regarded as a bellwether for British industry – announce a 4 per cent rise in 1989 pre-tax profits but a 15 per cent decline in the fourth quarter as the downturn affecting many parts of the world chemicals industry began to bite.

The figures were broadly in line with analysts' expectations, after stripping out unexpectedly high non-recurring profits; but the City of London is divided over the outlook for this year, with some analysts forecasting unchanged profits and others a decline of up to 10 per cent. Still, the market took some heart from a declaration by chairman Sir Denys Henderson that 1990 would be "challenging but not a disaster."

Disasters there were a-plenty as the big clearing banks began producing their 1989 figures (see story at foot of page). As expected, National Westminster, Lloyds and Midland (Barclays follows next week) all announced large extra provisions against dubious Third World loans. But other areas of operations also created their share of headaches.

Midland, which is still trying to shake off its reputation as Britain's most trouble-prone clearing bank, announced that a mistaken judgement about the course of UK interest rates last year had cost it over £116m and was a considerable factor in its £261m pre-tax loss. At the same time, its Third World debt provisions are well below those of its rivals.

There was rather better news at National Westminster, which saw its profits drop from £1.40bn to £404m - despite a 13 per cent rise in trading profits - mainly because of a huge increase in provisions against problem country debt. But it also paid out £50m because of its involvement in the Blue Arrow scandal and made £136m of provisions for dubious US lending.

Lloyds made a £715m pre-tax loss, with some heavy Third World debt provisioning, and also added heftily to provisions against domestic loans and international commercial ones.

The market was cheered by 18-19 per cent dividend increases, but the clearers' figures underline the dangers of deteriorating loan portfolios in the present economic climate.

That climate claimed the latest in a line of once-glamourous retailers this week when Sock Shop International, the hosiery chain which was one of the market stars of the 1980s, was granted permission by the companies court to appoint administrators. The unusual move is designed to give a company protection against its creditors while it tries to re-finance or is handed on to receivers.

Sock Shop has debts of £16m and, earlier this month, revealed first-half losses of almost £4m. The company, headed by Sophie Mirman, has blamed the poor retailing climate for its problems but analysts also criticised its financial controls and a disastrous and over-ambitious expansion into the US market.

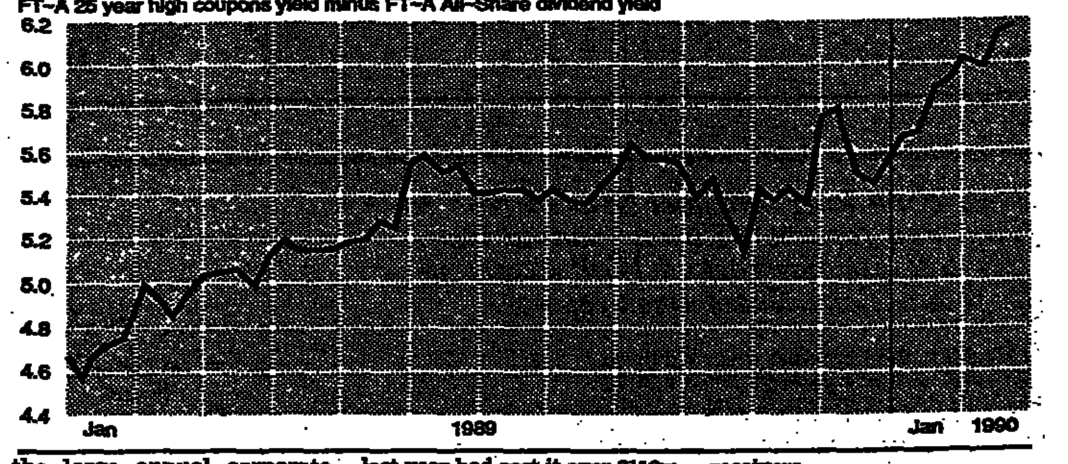
Shares in Eurotunnel, the troubled Anglo-French Channel tunnel group, this week clawed back a little of the ground they have lost since the start of the year as the Bank of England stepped in and engineered an end to a row between the company and the consortium of construction firms building the link. The consortium had refused to sign an agreement allowing Eurotunnel to draw down £400m of temporary finance in protest at the appointment of Alistair Morton, previously the company's chairman, as chief executive. The compromise solution involves placing a new manager as a buffer between Morton and the construction companies he has criticised so roundly.

But while the immediate crisis might be over, the course of a project which has soared in cost from £4.8bn to £7.2bn is always likely to be tense and fractious.

Martin Dickson

Reverse yield gap

FT-A 25 year high coupons yield minus FT-A All-Share dividend yield



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989/90 High	1989/90 Low	
FT-SE 100 Index	2236.7	-89.2	2463.7	1782.8	Interest rate fears hit markets.
ASDA Group	104	-8	212	104	Bid hopes fade.
Berisford Intl.	109	-20	172	107	Technical selling.
English China Clays	385	+20	541	359	Recovery after profits warning.
Enterprise Oil	624	-22	680	418	ICI 25% stake placing fears.
Eurotunnel Units	580	+27	1172	376	Management dispute resolved.
Kwik-Fit	87	-18	174	87	Continental bid hopes fade.
McAlpine (A.)	324	-34	395	297	Awaiting Tuesday's interim figures.
NSM	93xr	-10	143½	66½	Rights issue raising £49m net.
NatWest Bank	354	+14	365	255	Good figures.
Saatchi & Saatchi	136	-67	421	123	Fears over convertible bond.
Shell Transport	461	-27	501	327	Final dividend disappoints.
TVS Entertainment	92	-37	347	92	Doubts over sale of MTM stake.
United Newspapers	364	-25	520	363	Bid hopes recede.
VPI	21	-15	210	16	Profit warning & attempted placing.

WALL STREET

Now Germany holds the key

FOR ALMOST three years, ever since Japan stopped the rout of Black Monday, Wall Street had been coming to terms with a humiliating, yet reassuring, perception - that the US financial markets were governed not from Washington but Tokyo.

By last year this insight was becoming almost comforting in its familiarity. After all, Japan's bureaucrats seemed infinitely more skilful at running their economy than the venal politicians on the Potomac.

Then, however, a funny thing happened in the approach to last weekend's Japanese election. The Japanese seemed to become as quarrelsome and indecisive as the Americans in managing their economy. And, anyway, it turned out that the real sources of financial power in the world were not in Tokyo or Washington but in Frankfurt, Berlin and Bonn.

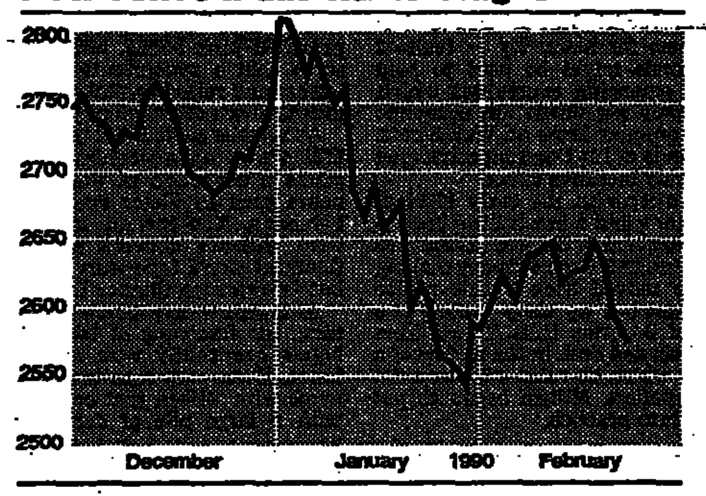
The collapse of the German bond market, in the wake of Bonn's proposal for monetary union with the East, probably provides a better explanation for the erratic behaviour of Wall Street recently than all the political rows and rumours emanating from Tokyo. But because US and Japanese investors have not yet come to terms fully with the perception of German power, more instability probably lies ahead.

In the long run, however, when the news from Germany is analysed more carefully, it should look less disturbing than the recent panic among investors in financial markets around the world might suggest. If this is true, then Wall Street probably can look forward to a worthwhile rebound.

The reasons for guarded optimism are two-fold. First, from a contrarian standpoint it is encouraging that traders around the world seem almost unanimous in their belief that German interest rates are heading still higher.

Second – and far more important – the fundamental analysts in the financial markets seem to have been even more short-sighted than usual in their assessment of what monetary unification might mean.

Dow Jones Industrial Averages



Most of them have concluded that the exchange of Deutschemarks for Ostmarks would make the D-mark a more inflationary currency. The "overhang" of East German savings would be spent almost immediately on West German goods. Meanwhile, the disinflationary effects of low East German wages would take much longer to manifest themselves, if ever they did.

To make matters worse, the analysts are convinced that unification will raise real interest rates in Germany and throughout the world. By generating enormous private investment and by creating huge budget deficits in Germany, unification threatens a 1990s' version of Reaganomics, according to the conventional view. Fortunately for the world financial markets, these arguments involve fallacies that are egregious even by the standards of Wall Street and the City of London. Consider just a few.

Once useless Ostmarks are swapped into solid D-marks, yesterday's "monetary overhang" will become tomorrow's long-term savings – particularly if the authorities offer only a partial conversion into cash D-marks, freezing the rest of the East's money in long-term deposits or bonds. This is precisely what Ludwig Erhardt did in 1948 when he created the new "hard" D-mark in history's most successful, and least inflationary, monetary reform.

The claims that real interest rates must rise are equally dubious. They involved a kind of single-entry book-keeping that would put schoolboy economists to shame. For East Germany's credit demands will stimulate some additional savings automatically. They will also be offset partly by lower investment elsewhere in Germany and perhaps the rest of the world.

If Volkswagen builds a plant in Leipzig to take advantage of low labour costs, it probably will construct one less factory in Wolfsburg or Barcelona. In addition, the larger pool of German workers will discourage some of the labour-saving investment which has dominated German capital spending for the past 15 years.

This leaves the most genuinely troubling aspect of unification – the big social obligations West Germany will be taking on. But here, too, a major offset from the taxes that will be paid by East Germans seems to have been ignored by the markets.

The possibility of large deficit financing cannot be overlooked, but it needs to be put into perspective. The expected doubling of this year's German budget deficit from DM21bn to around DM40bn is smaller than the margin for error in the US deficit allowed by the Gramm-Rudman law.

Of course, according to Wall Street, this year's budgetary impact is just the tip of an enormous iceberg. David Hale, of Kemper Financial Services, has pointed out (in a widely-quoted analysis) that the West German Government spends DM1,000bn on public services for its 62mn citizens; thus, it might spend another DM200bn on its 17m new citizens in the East, he has warned.

But are the East Germans to enjoy a permanent tax holiday? If so, they will soon have to build a new Berlin Wall to keep the westerners out.

Anatole Kaletsky

	Closed	
Monday		
Tuesday	2596.85	– 38.74
Wednesday	2583.56	– 13.29
Thursday	2574.77	– 08.79
Friday		

JUNIOR MARKETS

A new Storm in the USSR

STRANGE THINGS have happened to the image of the Soviet Union recently, but the sight of its Minister of Culture wearing a cartoon "I can keep a secret" badge must rank amongst the strangest.

Yet this was just one aspect of a remarkable deal which will lead next week to the first Western cartoon series being shown on Soviet television, and the first stage of a £15m book order being released into the USSR.

The books and television series centre on the "Shoe People," a colourful saga featuring PC Boot, Wellington, Trampy and friends, spun around the dictum that it is possible to judge personality by the wearer's shoes.

It is perhaps surprising that the company behind such a major deal is no international monolith but one of the youngest companies on the UK stock market. The image of Storm Group, which joined the Unlisted Securities Market last December, includes an apparently soft-hearted, open-handed approach to business. Such a stance may not be as naive as it seems. James Driscoll, the 42-year-old managing director who created the carton is, convinced that it owes the Soviet contract to the group's philosophy of contributing to the community through Shoe People campaigns for the NSPCC, the Road Safety Campaign and the Healthy Eating Campaign.

A description of these ventures helped break the ice of an initially frosty meeting with the head of the Soviet publishing house, Mdladost, who James Driscoll met at a Yugoslavian book fair. Driscoll, a natural raconteur, makes it sound like a scene from one of his own stories: "The Soviet, a huge man, stood up with a tear in his eye and hugged me. 'I am now sure you are right for the Soviet Union' he said. 'You are very humanistic people'."

Palpable evidence of Storm's open-handedness came when it offered the USSR the TV series – which will be screened at peak time just before the 8 o'clock news – free for two years. When he presented an introductory episode James Driscoll said this was "his gift for the children of Russia." Nonetheless, he acknowledges that the spin-off publicity from the TV series will play a key part in promoting the book adventures.

The 18m copies which forms the first stage of the contract will be printed by a joint company, Yunona, and Storm will be paid royalties in a mixture of hard currency, commodities and goods. For starters, it has been offered 53 paintings by 20th century artists which it plans to auction. The plans for payment still seem somewhat vague but Driscoll feels he can afford a relaxed attitude as the Soviet publishing house is bearing all the costs of the exercise. Moreover, he is aiming to build up a long-term relationship. "I don't want to go in with all guns blazing. We are looking to establish contacts that will last 50 or 60 years."

Storm Group is not pinning all its hopes on the Soviet venture. In addition to selling the Shoe People cartoon series in 26 countries it publishes comics, licences the characters for confectionery, stationery and toys and uses them for promotional purposes.

It is also determined not to be a one-cartoon company. It is also producing another cartoon series, Digswell and Daisy, and marketing other cartoonists' work such as Budgie Malone and Owl Capone, The Swiney, and Inspector Spectre.

Storm Group, which has seen its share price rise from 25p to 34p, is now on a lofty p/e

'Storm Group, which has seen its share price rise from 25p to 34p, is now on a lofty p/e of 54 — a multiple which almost provokes nostalgia for the heady days of 1987'

of 54. Such a multiple almost provokes nostalgia for the heady days of 1987, when such valuations were almost taken for granted. The way the world has changed since then has been underlined this month by a string of casualties.

Filofax, the personal organiser company which joined the market in 1987 in a welter of hype and hubris, announced that it would stay in loss in the second half of 1989. Sock Shop also found nemesis waiting in the wings this week when it was forced to appoint administrators to give it protection from its creditors.

But the USM has long been bracing itself for bad news from these companies; which have probably suffered rather more attention than they deserve. As far as the overall health of the USM is concerned perhaps a more worrying note was struck by a sharp fall in the share price of Trencherwood, a property developer, after it announced dismal results.

Property is one of the largest sectors on the USM and the latest round of mortgage rate increases is particularly damaging for many of these companies. The mortgage rise also underlined the message that a fall in UK interest rates, on which hopes of a recovery in smaller companies' performance are pinned, may still be a long way off.

Vanessa Houlder

Misery week for the banks

THIS HAS been a miserable week for three of the Big Four clearing banks. National Westminster reported £1bn off its profits. Lloyds, "the thoroughbred among banks," made a pre-tax loss of £715m while Midland lost £616m. The old bug-bear of Third World loans had returned to knock hundreds of millions of pounds off their profits in provisions for bad debt. But this wasn't the only spectre from their recent past which came back to haunt them.

A grisly procession of costly disasters hit the banks' profit and loss accounts. These included the Blue Arrow affair, losses on local authority swaps, rising interest rates, stagnating mortgage markets, excessive competition in the credit card business, and risks in the US property market. Although the mood was bleakest at Midland, which has the most severe problems on virtually every front, there was little for the others to be cheerful about. Sir Jeremy Morse, the chairman of Lloyds, compared the situation to a cold winter day with the sun shining.

On Tuesday, National Westminster reported a billion-pound profit plunge to £404m after making a £990m provision for bad debt. The bank has now provided against 75 per cent of its Third World debt.

It also paid out £50m to help settle the aftermath of the Blue Arrow affair and had to provide against possible losses in the New Jersey property market, where it has exposure of $670m. Group pre-tax profits have plunged by £1bn to £404m.

NatWest is still an immensely large and strong bank, but stockbroker analysts were not impressed unduly by its underlying performance, detecting signs that the group's cost structure is likely to rise in the next year or two.

This was a relatively cheerful performance compared with that announced by Midland, where a huge portfolio of Third World debt is proving much harder to shake off. After putting aside £846m, Midland was able to carry its provisions only to 50.2 per cent, far below the NatWest level.

Mistakes in guessing interest movements by Midland Montagu, its investment banking division, compounded Midland's misery and sent its profit and loss account plummeting to a £261m loss. The bank's ratios look a good deal weaker than they did a year ago.

Lloyds put away £1.73bn in provisions against Third World debt. It has now provided against 72 per cent of its sovereign country exposure so, although further provisions may be made, the worst is now over on that front.

Lloyds' mortgage operations are not making a profit – but neither, apparently, are those of its competitors. Finance house subsidiaries such as NatWest's Lombard Central and Midland's Forward Trust are making less money.

Sir Jeremy Morse of Lloyds

Next week, Mercantile Credit will probably tell a similar story in Barclay's profit and loss account.

The banks' insurance business seems to be doing well. Profits were down slightly at Lloyds' Abbey Life, the bank's insurance subsidiary, falling from £303m to £294m, but much of this was caused by estate agency losses.

The core insurance operation seems to be coming on well, fulfilling hopes in the air when Lloyds acquired Abbey Life at a bargain basement price in 1988.

Lloyds' credit card operations, the bank disclosed, are expected to move back into profit this month with the introduction of charges. This was the most open statement from any of the banks, which usually veil their credit card profits from mortal eyes. But it suggests that the other banks probably are losing money on this front.

Midland, NatWest, and Lloyds all pushed up their dividends. "Lloyds Bank incurred a big loss in 1989. Yet, it was another good year for our shareholders," said Brian Pitman, the chief executive. The share price went up 40 per cent during the year and the dividend increased by 19 per cent.

Lloyds has battened down the hatches and goes into 1990 provided heavily against bad debt and with its reputation for nimble management more or less intact. It looks reasonably well-positioned to maintain its position.

It is difficult to have a similar confidence about Midland, particularly when its problems were compounded throughout 1989 by mistakes in forecasting interest rate movements.

NatWest's UK business performance looked a little sluggish for the second year running. It certainly does not appear poised to regain the first place among the Big Four from Barclays in the immediate future: indeed, Barclays' results next week probably will have a quietly triumphant ring to them.

All that said, the markets may never have loved the shares of the clearing banks but, at the end of this week, they certainly were not taking fright. Amidst a falling stock market, the banks seemed to be doing reasonably well.

David Barchard

In Brief

Good news for savers

WHILE BORROWERS are again bemoaning the recent increase in interest rates, there is good news for savers: several of the building societies and banks have raised the interest paid on their accounts and are trying to attract savers with high interest bonds and deposits. Below are some of the recent rises:

GUARDIAN Building Society will launch a deposit bond at the start of March paying interest of 12.85 per cent net on fixed sums of between £25,000 and £1m. Interest on the bond is guaranteed to remain at more than 5.5 percentage points above the standard deposit rate until maturity on April 1, 1991.

However, Guardian Building Society said that savers who transfer money from their existing share accounts into the bond will consequently receive a lower bonus than they would otherwise be entitled to as a result of the proposed merger between the Guardian and the Cheltenham and Gloucester Building Society. The bonus is worth 4 per cent of one of two balances, whichever is the lower – the balance on October 29, 1989 and on the actual date of the merger. No additions or withdrawals can be made during the bond's lifetime.

■ ■ ■

NATIONWIDE Anglia Building Society increased the interest rates on its investment accounts this week. CapitalBonus, a 90 day account, is paying 11.75 per cent net on balances of £25,000 or more and 11.5 per cent on sums of £10,000 to £24,999. Interest on its PlatinumBond (a two-year limited issue bond) has increased to 12 per cent net.

■ ■ ■

LLOYDS is launching a fixed rate deposit, paying interest at 12 per cent net on deposits of at least £5,000. Deposits of £50,000 or more will receive interest gross at 15.4 per cent. Interest is paid on maturity six months after the deposit is opened. The offer is available from today until March 16.

■ ■ ■

SCARBOROUGH Building Society has launched a six-month fixed interest share account called Summer Six, carrying net interest of 11.75 per cent on investments between £1,000 and £1m.

■ ■ ■

LEAMINGTON Spa Building Society's newly launched Spa Bond is offering a fixed rate of 12 per cent net, guaranteed for one year. You can invest between £10,000 and £500,000 in the Spa Bond, but you cannot top-up or make withdrawals during the term.

■ ■ ■

LEEDS & Holbeck Building Society is raising the interest rate on its 12-month special notice share account to 12.60 per cent net from Monday.

The new rate applies to deposits of between £2,500 and £250,000. Investors can withdraw up to 10 per cent of the balance without any penalties, but taking out more or closing the account is subject to a year's notice.

■ ■ ■

NORTHERN Rock Building Society raised the rate on its Capital Growth Bond to 12.5 per cent net this week. The account guarantees to pay at least 5 percentage points above Northern Rock Building Society's savings account rate until maturation in February 1992. You can invest between £10,000 and £250,000 in the bond: you can make an emergency withdrawal provided you leave a balance of £10,000 in the bond, but you lose 90 days' notice.

■ ■ ■

NORWICH and Peterborough Building Society raised the rates on some of its deposits this week. The fixed-interest time deposit is now paying a gross rate of 15 per cent on sums of between £50,000 and £250,000 and on terms of three, six and 12 months. You cannot make any withdrawals, however, during this period.

Norwich and Peterborough has also raised the rate on its fixed interest bonds to 11.9 per cent net on six months and 12 per cent net on one year. The minimum investment is £5,000.

■ ■ ■

Allied Trust Bank has launched a one-month notice account paying 11.54 per cent net per annum (14.75 per cent gross) on balances of £250,001 or more.

Sara Webb

Novel deposit account

A DEPOSIT account that pays interest gross, without tax being deducted at source, is being launched by Whitechurch Securities, the Bristol based intermediary. It will pay an initial rate of 15.1 per cent gross, before charges, but the rate will vary in line with movements in the money market.

Kean Seager, managing director of Whitechurch, who dreamed up the idea, said that as a financial intermediary they normally held clients' money in special accounts that paid interest gross, subject to certain restrictions. This was being extended to cater specifically for the many people who under the independent taxation system for married couples wanted to receive interest gross.

One of the restrictions was that the money could not be held for over a year, so the period for the deposit had been fixed for 350 days, with interest being paid half-way after 175 days and on the maturity date. Minimum investment is £5,000 and the maximum, £25,000.

The money would be held on deposit with the Midland and/or other major banks, but some would also be used to buy Certificates of Deposits when rates were considered attractive. This would provide a partial element of fixed interest, while the remainder would be variable.

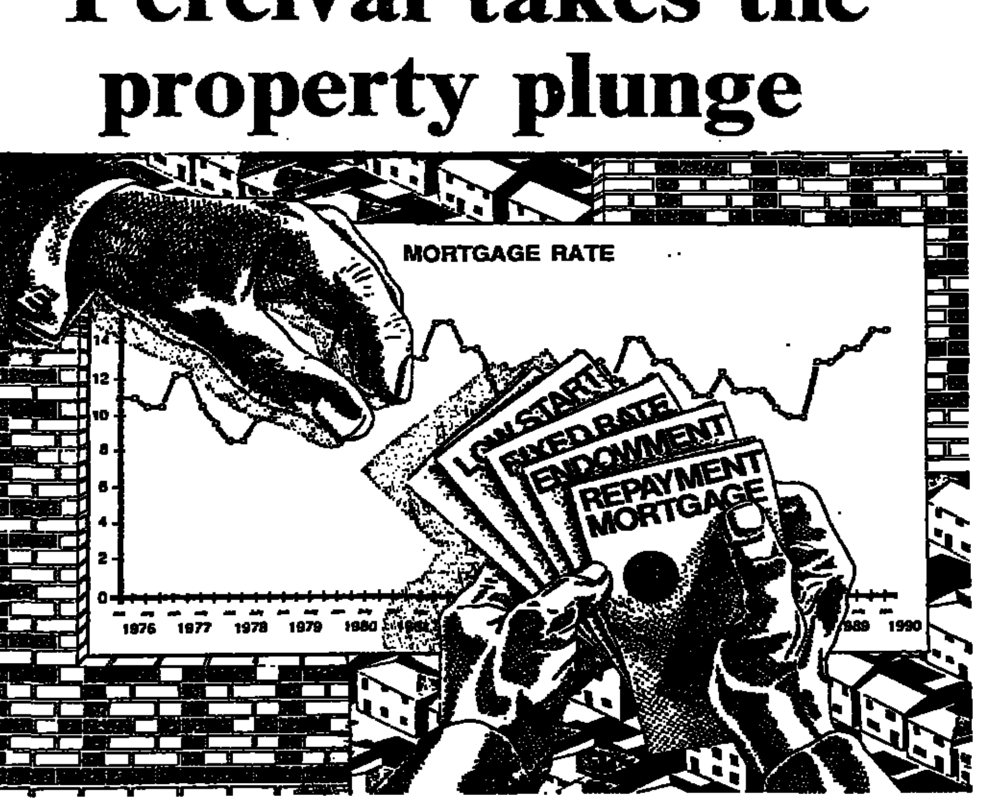
There is a setting up charge of not more than 1 per cent, and Midland charges £10 an account. Both these costs will be deducted prior to the investment being made.

Seager said that the Inland Revenue had confirmed that the scheme did not contravene current legislation, but there was always the possibility that it would be curtailed if it became too popular.

John Edwards

Sara Webb on the choices for first-time buyers

Percival takes the property plunge



YOUNG PERCIVAL Pilkington-Ponsonby missed out on the last property boom. His contemporaries all bought their flats in the early 1980s at a time when Percival was eagerly expanding his global perspectives by rucksacking his way around the world and enjoying life rather than thinking sensibly about his investments or his future.

On returning to London he finds that most of his friends are bemoaning the state of their financial affairs. Percival, now 30, is bored to tears by their dinner party conversation which centres entirely around two main gripes: the substantial increase in their dockland penthouse mortgage payments over the last 18 months and the fact that their properties are dropping in value by the week.

However, as property prices tumble, Percival finds that a flat in London is almost affordable at long last: so he decides it is time to take the plunge and become a first-time buyer.

He has been following the forecasts avidly and notices that while a few months ago the more optimistic building societies were predicting a pick-up in property prices by the spring of 1990, many have since shifted the goalposts.

Now they expect the bank base rate (and mortgage rates) to remain high at least during 1990 and think that any real pick-up in the market is unlikely before the spring of 1991. In the meantime, prices could fall a further five to ten per cent.

However, Percival reckons that as more of the baby-boomers in their twenties enter the housing market this will help to stimulate demand and shift the house chains. And he assumes that as Mrs Thatcher approaches a general election within the next two years, she will have to woo her voters back with lower mortgage payments and a revival in the property market.

Percival finds the estate agents are inundated with calls from first-time buyers. "We had 20 first-timers last weekend and showed them over 70 flats," says one estate agent in Islington. "Prices are coming down so it's a good time for the first-time buyer. The average first-time buyer only stays in his property for 30 months so most of them can count on buying cheaply now and selling at a huge gain in 2½ years' time," he adds.

However, Percival's main concern is his mortgage: banks and building societies are falling over each other to lend him money, and he is more inclined towards the latter as they are not under the same pressure as the banks to make a profit from their lending.

Many of the lenders have special low-start schemes or discounts for first-time buyers who are anxious to reduce their monthly payments. Some will happily lend him over three times his salary. Others are more cautious, counselling him about repayments and budgeting. They insist on interviewing him about his personal finances (muddled) and spending habits (bordering on the extravagant), and make him draw up a list of his outgoings each month – gas, electricity, and phone bills, food, TV rental and plastic card commitments – to see what he can sensibly afford.

But he wants to know what are the various options open to a first-time buyer, preferably those which help to keep down monthly mortgage payments.

■ **Repayment versus Endowment.** As the accompanying table shows (calculated for a 30-year-old non-smoking single male), a repayment mortgage, plus life cover, is a lot cheaper at the current high interest rates than an endowment mortgage, where he pays interest on the loan and in addition the premiums for the endowment policy.

However, Percival is appalled to find that some of the banks and building societies are still strongly recommending endowment mortgage, even when he specifies that he wants to keep his monthly outgoings down: they claim he could eventually receive a large lump sum though Percival suspects their keenness to sell such a policy is attributable to the juicy commissions they receive.

Some of the building societies offer low-start endowment mortgages which simply defer part or all of the life policy premium for a few years. However, Percival realises that once the deferred period is over, his monthly payments will suddenly shoot up and his mortgage could work out more expensive in the long run.

Others offer first-time buyers a discount of between 1 and 0.5 percentage points off the standard rate for the first year. He is rather wary of banks and building societies who appear to subsidise first-time buyers at the expense of their existing borrowers.

■ **Fixed rate mortgages.** Percival reckons these are a bit of a gamble as he would be locked into a fixed interest rate for a given period of time. The key question is whether the fixed rate will remain lower than the variable mortgage rate over the lifespan of the fixed rate mortgage: those people who locked into a two-year fixed rate mortgage at 11.5 per cent back in October 1988 have done well. But if mortgage rates fall below the fixed rate, the only way to escape is by paying hefty penalties of several months' interest.

Percival's view is that interest rates must be near their peak and are likely to come down in a year or so. So he is only interested in fixed rate schemes which either have no escape penalties or lock him in at a low rate for a short period of time between six months and one year.

Fixed rate mortgages are becoming increasingly popular as home-owners panic about the rise in rates. Yorkshire Building Society offered a two-year fixed rate mortgage at 13.5 per cent on Monday and sold out within 24 hours. Bear Stearns offered one at 11.95 per cent over 25 years and it sold out within two weeks. Borrowers, however, had to pay a 3 per cent option fee.

■ **Deferred payments.** Percival is worried that he may not be able to manage the high mortgage payments initially and wonders whether he can defer part of the payment. There are lots of schemes which allow this: however, they can be extremely expensive because the interest being deferred is added onto the capital sum, so subsequently he has to pay interest on the interest. When interest rates are high, this process of rolling up means that once the deferral period is over, the monthly payments increase very steeply and the total cost of the mortgage is very much higher.

Most of the big building societies have now followed Abbey National's lead in increasing the cost of mortgages, but there are a variety of different rates available. One way to keep abreast of the changes, and the latest rates, is from Blay's Residential Mortgage Tables, available from Blay's Guides Limited, Churchfield Road, Chalfont St Peter, Bucks SL9 9EW. Tel:0753 – 880482.

MORTGAGE TABLE

Comparative costs of endowment and repayment mortgages : monthly payment for 30-year-old single male (non-smoker)

Amount	Repayment	Life Cover (optional)	Repayment + life cover	Endowment interest only	Endowment Policy	Total
£30,000	£308.84	£6.85	£315.69	£288.75	£39.40	£328.15
£55,000	£638.87	£11.73	£650.60	£609.58	£71.40	£680.98
£80,000*	£933.16	£16.60	£949.76	£891.14	£103.40	£994.54
£110,000*	£1,324.76	£22.45	£1,347.21	£1,272.08	£141.80	£1,413.88

*Standard rate is 14.75% on loans above £60,000 and 15.4% below £60,000

Source: Abbey National

The Week Ahead

Third World puts the brake on Barclays

BARCLAYS BANK, the biggest of the "Big Four" UK clearing banks, announces its 1989 results next Thursday and should lead the field, even though it will probably increase its Sovereign debt provisions from last summer's 48 per cent to around 75 per cent.

Pre-tax profits a year ago were £1.39bn, but that was in a year when the banks did not feel they had to provide against Third World debt.

This year Barclays profit figures will be be under strain on several fronts. Like the other clearers, Barclays' once lucrative retail business in the UK is battling against a serious downturn in the market.

Credit card and finance house subsidiaries, as well as Barclays *mortgage* business, have probably fared badly in the depressed UK domestic market over the last year.

However BZW, the group's securities and investment banking arm, may have improved on the £38m profit it made a year ago.

Solid progress should be the message delivered by Unilever, the Anglo-Dutch food, soaps, cosmetics and chemicals group, when it reports its 1989 results on Tuesday. Analysts expect pre-tax profits of about £1.72bn, an 18 per cent increase from last year's total of £1.45bn, although property profits and restructuring costs could play havoc with their calculations.

For once, in recent history, Unilever's non-food sales may be more than half the total. This follows a string of acquisitions it made last year, which included Elizabeth Arden, *Faberge, Calvin Klein, and* Rimmel.

> **'Like the other clearers, Barclays' once lucrative retail business in the UK is battling against a serious downturn in the market'**

The long hot summer will have left its mark on the results of Cadbury Schweppes, the UK soft drinks and confectionery company. The boost to the soft drinks market will have been partially offset by the damage to the sweets and chocolate market, which also took the brunt of strong competition from Mars and Jacob Suchard. Estimates of the 1989 pre-tax profits results on Wednesday cluster around the £250m mark, which is a 16 per cent increase over the £215.7m scored last year. The undertaking by Dumez, the French builder, to buy further shares as part of its newly-formed cooperation agreement with Alfred McAlpine should underpin the share price of the British building and civil engineering group, however grim next *week's results announcement* may turn out to be.

None of the company's City followers want to be too precise about their forecasts of pre-tax profit for the year to end-October, due to be announced on Tuesday, but the more optimistic are hoping the number will be maintained at about £20.5m, while others suggest it may be as low as £16m.

Middle-of-the-range estimates put at £150m the likely amount of pre-tax profits that Williams Holdings, the industrial conglomerate, will on *Monday announce for the year* to end-December. This compares with £116m last time.

Comments from ICI this week will have the City listening even harder to what Williams has to say about margins in its paints business; however, a second half profits shortfall in the consumer and building products arm has already been well-discounted.

All three of the composite insurance companies reporting this week – Commercial Union, General Accident and Royal Insurance – are likely to show sharply reduced pre-tax profits for 1989 and worse still for 1990. All three are vulnerable to low premium rates in the US, none more so than Royal, which draws 38 per cent of its premiums from there. Optimism that a series of disasters late last year would end the depression in the property/casualty market was not fulfilled.

Commercial Union and General Accident, both reporting on Wednesday, are not quite so vulnerable. Analysts see General Accident's pre-tax profits dropping by 40 per cent to £175m as underwriting losses increase, but investment income is likely to be sharply up. It is also less likely to be hit by subsidence claims than Commercial Union or Royal.

At Commercial Union, pre-tax profits are expected to be down by a third to £135m, similarly affected by results in the US and increased competition in the UK. The company is strongly placed in the Netherlands but here again the competition is intensifying.

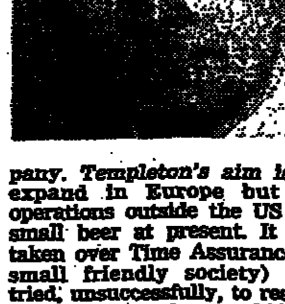
Royal Insurance produces its results on Thursday with expectations that they may fall as much as 45 per cent to £120m, the drop being explained by the need to *make further reserves for business* in the US. Underwriting losses in the UK are also likely to be more severe.

Do these large falls in pre-tax profits mean anything? Analysts suggest that the track record of the earnings of composites as conventionally stated means little for the share price. The real test is the movement of their asset values, so the strength of the stock markets in 1989 makes bad weather and other considerations largely academic.

Brokers are more vulnerable *to factors such as depressed* rates, which the composites can shrug off, but Sedgwick Group has been turning in results somewhat above expectations. It has the advantage of size in a more competitive market and pre-tax profits are expected to be marginally up at £83m. The threat of peace *breaking out abroad and the* unwelcome attentions of a New Zealand predator at home are preoccupying Sir David Plastow, chairman and chief executive of Vickers, the diversified engineering group, which reports its results for the year to December 31 on Monday.

Analysts are looking for a 14 per increase in pre-tax profits to about £80m. The group is expected to report steady progress on the preparations of prototypes to compete for the £1bn Challenger 2 battle tank order. Business is also thought to have been good at the Bentley and Rolls-Royce subsidiary – the main attraction of Vickers to Sir Ron Brierley, who has a 17.25 per cent stake.

Templeton chief leaves group



COLIN MCLEAN, right, the outspoken and somewhat controversial managing director of Templeton Unit Trust Managers in Edinburgh, resigned this week and is not going to be replaced.

Officially, Templeton and McLean decided to go their separate ways because of differences over "strategy and culture": the group is keen to expand in the UK and Europe using its Edinburgh base, but McLean's views on how to achieve this goal differed from Templeton's. There also appear *to have been disagreements* over management style.

McLean, 37, spent two years at the helm and will not be replaced, according to Douglas Adams, one of three directors at Templeton Unit Trust Managers along with Kenny Greig and Dickson Anderson. Adams said that the group has put more emphasis on recruiting *investment staff* in recent months to build up its expertise.

Templeton Unit Trust Managers is part of Templeton, Galbraith & Hansberger, the Bahamas-based fund management group. TGH was listed in London in 1986 although Sir John Templeton still controls 60 per cent of the votes in the company. *Templeton's aim is to* expand in Europe but its operations outside the US are small beer at present. It has taken over Time Assurance (a small friendly society) and tried, unsuccessfully, to rescue FS Assurance from a bid by the Britannia Building Society (as an ex-FS man, McLean had an intimate knowledge of the *small life assurance company*).

McLean now hopes to pursue his career in a related area – either expanding marketing investments or the product range of another financial group. Alternatively, McLean says he may set up his own company.

Sara Webb

COMPANY NEWS: TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
ABB Kent (Hldgs.)	178*§	174	153	135.27	ABB Investments
Alexander (W.)	113*	113	112	32.02	Spotlaunch
Britannia Sec.‡	127§	128	109	99.63	ADT
Chemoxy Intl.	391	400	288	11.58	MTM
Colonnade Dev.	163*§	165	161	8.24	Plusflow
Desoutter Bros.‡	700*	688	635	89.6	Atlas Copco
GPG‡	17*	23	23	55.0	IEP
Hartwell	155*§	156	120	122.55	Oakhill
Do. 7.875pc Pf	142.1*§	145	104	49.75	Oakhill
Hyman	30*§	29	26½	15.84	ER Carpenter
Intl. City Hldgs	32½	30	34	22.09	York Trust Grp.
Jitra Rubber	53	50	50	5.88	Rowe Evans Invs.
Just Rubber	140*	135	72	10.5	Scapa Group
KLP Group‡	238*	235	180	23.60	RSCG (UK)
Do. Conv. Pref.	87*	85	67	8.44	RSCG (UK)
Laing Properties	650*§	663	584	390.80	Pall Mall Props.
Mackay (Hugh)‡	128§	130	132	7.65	Allied Textile
Malamet Hldgs.	16*§	11	60	0.63	ISS
Norfolk Cap.	38§	36½	36¼	161.32	Queens Moat
Paragon Comms.	155	165	128	8.42	Shandwick
Really Useful Grp	233*§	230	218	77.4	Jorraban (No.26)
Runciman (Walter)	520*§	520	472	46.8	AB Avesta
SAC Intl.	114	114	117	23.29	Ricardo Grp.
Sage Group	300*§	298	294	54.24	De Haan
Saltire Ins Invs	78.75§§	68	60	11.81	ESII
Sanderson Murray	175*	198	150	3.325	Rickett Mitchell
Stotchley	350	362	364	126.7	Godfrey Davis
Tavern Leisure	30	31	36	7.65	Millwall Hldgs.
Woodington	31	32	42	6.89	Bridgend Group

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 23/2/90.†At suspension. §§Shares and cash.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
AAF Investment Corporation	Thursday♥	2.5	4.0	4.5
Admiral Computing Group	Thursday	0.8	1.75	1.1
Akzo	Monday‡	1.5	6.0	1.5
AMS Industries	Wednesday	0.5	1.0	0.5
Appleyard Group	*Monday*	2.2	*11.0*	2.6
ASW Holdings	Thursday	-	5.0	4.0
Baltic	Tuesday	1.44	1.92	1.7
Barclays	Thursday	10.0	13.0§	11.4
British Kidney Patient Assoc.	Wednesday	3.5	7.0	4.0
BWD Securities	Wednesday	-	2.5	1.0
Cadbury Schweppes	Wednesday	2.4	6.8	2.8
Caldwell Investments	Monday	-	-	-
Capital & Counties	Tuesday	4.25	6.25	5.25
Chieftain Group	Monday	1.6	1.0	1.6
Commercial Union	Wednesday	7.25	11.75	8.15
Conroy Petroleum & Nat. Res.	Monday	-	-	-
Continental & Industrial Tst.	Tuesday	20.0	30.0	20.0
Cooper Alan Holdings	*Monday*	2.1	4.7	2.8
First Scottish American Tst.	Wednesday	6.0	10.8	7.0
Foreign & Colonial Invest Tst.	Thursday	0.72	1.54	0.8
Freeman Group	Thursday	2.25	4.5	2.75
General Accident	Wednesday	15.5	28.5	17.5
Grahams Rintoul Invest. Tst.	Tuesday	-	1.0	-
Grosvenor Development Capital	Wednesday	-	-	-
Hampden Homecare	Friday	0.5	1.5	0.5
LASMO	Wednesday	2.5	6.0	3.0
McAlpine Alfred	Tuesday	4.5	11.6	4.5
Murray International Trust	Thursday	1.75	5.25	2.0
Oce (UK)	Monday	-	-	-
Pacific Assets Trust	Tuesday	-	0.675	-
Philips' Lamps Holdings	*Thursday‡*	*0.6*	*1.40*	-
Porvair	Wednesday	-	1.8	0.9
Royal Insurance Holdings	Thursday	9.5	13.0	10.75
Sedgwick Group	Tuesday	4.0	8.0	4.0
SKF AB	Tuesday⁑	-	14.0	-
Stat-Plus Group	Wednesday	1.25	2.25	1.75
STC	Tuesday	3.0	6.0	3.75
Takare	Thursday	-	1.0	1.0
Tozer Kemsley & Millbourn	Wednesday	1.0	3.0	1.5
Unilever	Tuesday	3.89	9.51	4.51
Unilever NV	Tuesday‡	1.28	3.08	1.37
Updown Investment Company	Tuesday	-	7.5	-
Vickers	Monday	2.9	4.6	3.3
Williams Holdings	*Monday*	*4.0*	*6.0*	4.6
INTERIM DIVIDENDS				
Alpha Estates	Tuesday	-	-	-
Consolidated Plants. Berhad	Friday†	8.0	16.0	-
Eleco Holdings	Wednesday	2.2	4.0	-
Ewart	Tuesday	0.75	1.5	-
Goodwin	Wednesday	-	0.6	-
Int'l. Colour Management	Monday	0.5	0.95	-
Isotron	*Tuesday*	*0.87*	1.73	-
Jos Holdings	Wednesday	1.0	3.25	-
Lincat Group	Friday	1.5	3.1	-
Macro 4	Thursday	1.9	5.9	-
Manganese Bronze Holdings	Wednesday	3.0	4.5	-
Murray Income Trust	Tuesday	3.5	4.7	-
Polypipe	Thursday	0.92	2.08	-
SEET	Tuesday	1.6	3.7	-
Sheldon Jones	Wednesday	1.35	3.3	-
TR City of London Trust	Wednesday	0.77	0.77§	-
Usher Frank Holdings	Wednesday	2.0	4.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.§ 2nd interim dividend.† Malaysian sen per share gross.‡ Dutch guilder per share gross.⁑ Swedish krona per share gross.♥ Per share gross.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
ABB Kent Hldgs.	Dec	11,490	(8,575)	8.9	(7.0)	4.0	(3.5)
Anglo & Overseas	Dec	16,220†	(12,380†)	7.27	(4.39)	5.6	(4.1)
Arncliffe Hldgs.	Dec	3,140	(2,532)	40.0	(39.8)	6.75	(6.0)
Bank Leumi UK	*Dec*	4,000◆	(2,800◆)	-	(-)	*10.5*	(9.4)
Camellia Invests	Dec	2,110	(1,730)	61.1	(47.7)	23.0	(20.0)
Campari Int'l.	*Nov*	4,150	(4,760)	32.0	(42.9)	10.0	(8.5)
Cityvision	Nov	12,500	(5,400)	7.21	(4.17)	0.75	(0.5)
EFT Group	Dec	1,310	(1,220)	3.0	(3.25)	1.0	(0.7)
English & O'seas	Dec	2,090	(1,350)	23.4	(18.9)	4.5	(1.5)
F&C Enterprise	Dec	1,730†	(1,410†)	0.17	(0.13)	0.16	(0.14)
First Tokyo Indx	Dec	138 L‡‡	(210‡‡)	-	(0.49)	-	(0.25)
Forwell Group	Dec	*1,070*	(905)	5.5	(5.8)	1.32	(-)
ICI	Dec	1.53bn	(1.47bn)	135	(128)	55.0	(50.0)
Midland Bank	Dec	261m L	(693,000)	-	(53.6)	18.0	(16.4)
NatWest.	Dec	*404,000*	(1.40bn)	*15.0*	(62.0)	*16.7*	(14.1)
Owners Abroad	Oct	13,440	(9,650)	8.89	(7.7)	2.5	(2.35)
Paragon Comms.	Dec	1,330	(978)	15.5	(11.3)	4.4	(3.3)
P&P	Nov	11,100	(7,510)	20.8	(18.0)	3.6	(3.0)
Property Company	Dec§§	2,150	(10)	15.8	(-)	2.0	(2.2)
Provident Fin.	Dec	31,700	(28,150)	42.8	(37.2)	20.5	(18.0)
Record Holdings	Dec	4,720	(4,000)	10.9	(9.6)	3.45	(3.0)
Reliant Group	Sept	1,940	(2,320)	2.35	(3.17)	0.75	(0.5)
Royal Dutch Pet.	*Dec*♥	*3.95bn#*	(2.95bn#)	*18.0*	(12.3)	7.65	(7.1)
Scottish Eastern	Jan	18,310†	(16,330†)	3.65	(3.15)	3.5	(3.0)
Seacon Holdings	Sept	1,530	(1,380)	17.5	(15.8)	3.15	(2.5)
Second Market	Dec	185	(112)	1.04	(0.62)	0.33	(0.33)
Shell T&T.	*Dec*	*3.95bn#*	(2.95bn#)	*44.0*	(32.4)	*16.4*	(17.0)
Sycamore Hldgs.	Sept	445 L	(5)	-	(0.05)	-	(-)
Taveners	Dec	287	(212)	9.41	(6.91)	1.5	(1.25)
Temple Bar Inv.	Dec	6,850⁑	(5,500⁑)	11.9	(9.53)	10.2	(8.5)
Trencherwood	Oct	8,730	(13,210)	23.1	(37.0)	5.13	(5.13)
Tribune Invest.	Dec	6,760†	(5,290†)	6.78	(4.81)	5.2	(4.0)
Vantage Secs.	Dec	214♣	(191♣)	3.55	(3.05)	3.5	(3.0)
Yorkshire Chem.	Dec	9,600	(8,500)	36.3	(36.5)	12.0	(10.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Ardagh	Dec§	1,930	(1,370)	1.25	(1.0)
Armour Trust	Oct	*1,160*	(1,010)	*0.27*	(0.25)
Ashtead Group	Oct	3,640	(2,411)	1.0	(0.65)
AT Trust	Oct	484 L	(381)	-	(-)
BCE Holdings	Sept	1,180 L	(93)	-	(0.4)
Crowther JE Holdings	Sept	118 L	(586)	-	(-)
FII Group	Nov	4,020	(3,230)	4.0	(3.5)
Fleming Enterprise	Dec	1,260§§	(650§§)	1.0	(0.75)
Havelock Europa	Oct	127	(1,390)	-	(2.6)
Herrburger Brooks	Nov	53 L	(12)	-	(-)
North American Gas	Jan	521	(-)	1.12	(-)
Pilco Holdings	Oct	1,540	(1,124)	3.25	(2.5)
Ports. & Sunderland	Dec‡	1,510	(1,350)	-	(-)
Ricardo Group	Dec	1,490	(1,110)	*1.9*	(1.35)
St David's Inv. Tst.	Jan	242††	(193††)	4.4	(4.0)
Sinclair Goldsmith	Nov	956	(939)	1.5	(1.5)
Sunday Tribune Group	Sept§	25 L	(55 L)	-	(-)
Throgmorton Dual Tst	Jan	955⁑	(758⁑)	2.75	(2.25)
Tuskar Resources	Dec§	4,090	(-)	-	(-)
Zurich Group	July	556 L	(3,390)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† Gross revenue.‡ 3rd quarter figures.§ Irish punts & pence.⁑ Net revenue.§§ Last years figures for 6 months ended 31/12/88.◆ Disclosed consolidated profits.# After tax net income for the Royal Dutch/Shell group.♥ Earnings per share & dividend figures quoted in Dutch currency.♣ Gross income.†† Net income.‡‡ Attributable loss/earnings.§§ Total revenue.

RIGHTS ISSUES

Cityvision is to raise £25.2m via a one-for-six rights issue at 120p.
NSM is to raise £49m via a 2-for-7 rights issue at 85p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

ABI Leisure is to join the main market via a placing of 10m shares at 125p.
Midlands Radio is to join the main market via an introduction.
Pillescrieff intends to seek a full listing on the London Stock Exchange or a quotation for its shares on the USM during 1990.

FINANCE & THE FAMILY

Heather Farmbrough looks at BES schemes seeking to raise money before April 5

From property to classic cars

THE FLOW of new Business Expansion Schemes (BES), seeking to raise money before April 5, continues apace.

There may be a rush to issue prospectuses, but fortunately there is less hurry to invest. Most issues are open until March 19, which means as long as you allow enough time for your cheque to clear, you still have three weeks to make up your mind.

The signs are that investors are not piling in in the same fashion as last year and there may be plenty of issues which fail to raise even their minimum subscriptions.

Issue costs tend to be much higher for those companies which only just raise their minimum subscription, ranging from 8.5 per cent for these compared with around 6.5 per cent for those where the maximum is raised.

One of last year's issues returning to the market is Capital & Western Estates. This raised £535,976 – not exactly a huge sum – in 1989 with its first offer for investment in London residential properties to be let as assured tenancies. Winkworth Investments acts as property adviser but the company has quite a strong board of executives. Capital has already purchased two properties for development.

Another of last year's names is Artesian II. This company makes no bones about the fact that its main interest is in property development. It intends to buy London properties which it will let for four years as assured tenancies while applying for planning permission. It will then seek to redevelop these, once vacant possession is obtained.

One of the few ways in which a landlord can do this is to carry out substantial redevelopment work. So Artesian should be able to improve its properties and sell them at market rates because it has no tenants. One hopes its tenants are aware of this.

Paragon, another assured tenancy, claims to be a unique concept because it is offering investors both a biannual dividend and the opportunity for your spouse, if he or she is a lower rate taxpayer than you, to transfer that dividend income into his or her separate allowance after April 6, thereby paying less income tax. In fact, investors in other schemes could do exactly the same after April 6.

Investors have no regional choice although a rather vague map in the prospectus suggests the company is looking at properties on the south Wales coast, southern Scotland and one or two cities elsewhere.

Hurlingham, as its name suggests, is concentrating on properties in the Putney to Kensington belt of West London near the Hurlingham Club. Although it may buy ready-to-let properties, it seems likely that its main interest will be in converting others by what it calls "fast track methods." Houses are largely demolished apart from the facade. Timber framed panels are assembled off site and then lifted – usually in the form of a fully fitted kitchen or bathroom – into the ground floor of an empty building.

Banner Housebuilding Portfolio is a property company, not an assured tenancy. Up to ten housebuilding and secured contracting companies are to be set up with the proceeds of the issue. The companies will build homes in north west London and hope to sell them from 1991 onwards. The properties will be managed by Banner Homes, a USM-quoted housebuilding company, which could well buy the BES companies out after five years.

Costs range from 8.9 per cent at the minimum subscription level to 6.4 per cent at the maximum which doesn't make it the cheapest issue. But there is a stronger chance of a suitable exit route than in many companies, while Banner offers a management company with a visible track record.

Eastleigh Homes offers the chance to invest in an assured tenancy issue in a very specific area – the town of Eastleigh which is located ten miles outside Southampton. The town has grown by about 12 per cent since 1981 and is expected to continue to expand as local businesses prosper.

The company has identified its first potential location for sheltered housing and flats, although the company is not intending to offer just sheltered housing. Leslie Olson, the managing director, is a local estate agent and in recent years, a property developer. If you live in the area, this might be one to investigate.

Link Assured Homes is returning to the market, sponsored as last year by Williams de Broe but without its former partner Allied Dunbar. Last year Link raised £64m. This was the largest sum raised by any assured tenancy company, but it was boosted by the provision for investment in closed companies which was abolished in the last Budget.

This year's issue offers almost every conceivable provision including a guaranteed minimum growth of 7 per cent compound a year on the initial purchase price of the properties for six years. This is offered by Persimmon, a quoted building company, which will be building the properties. Investors are also insured against falls in property values below the purchase price. Tenants will rent their furniture direct from a contract furnisher to help costs.

This is just as well: on top of issue costs of 7.5 per cent, annual administration costs etc, the company is budgeting for estate agents' fees of 2.875 per cent and a fee to the property managers of 17.25 per cent of rental income as well as insurance costs of about 8 per cent of income.

These are high but not exceptional; companies who rely on a series of professional advisers and managers tend to be more expensive for investors. On the positive side, the minimum subscription is already underwritten and Link is one of the least risky issues on the market.

When Greta Croucher's husband died in 1981, she took over as chairman of Carisbrooke, the shipping company which he founded in 1969 in the Isle of Wight. She is now president and the company is doing well. It made pre-tax profits of £355,000 in 1988 and expects to announce profits of £600,000 for 1989 on net assets of £3m.

Carisbrooke usually transports dry bulk cargoes, such as animal feeds and grain, around the European western seaboard. It wants more capital to buy additional second-hand vessels to take advantage of the upturn in freight rates. The minimum subscription has been raised already.

Now for something completely different. Classic Cars buys, restores and sells high quality collectors cars such as Aston Martins and Maseratis. The value of these cars fluctuates with fashion, supply and even the stock market.

The company has been trading since 1987. It's obviously a higher risk venture than most described this week, but has a certain style not to be found in assured tenancies.

NEW BUSINESS EXPANSION SCHEMES

Name	Description	Raising £	Min sub £	Closing Date	Sponsor
Capital & Western	Assured Tenacies	3.36m	1,000	19/3	Neill Clerk
Artesian II	Assured Tenncies	5m	1,000	20/3	Artesian
Paragon	Assured Tenancies	4 x 5m	1,000	19/3	Neill Clerk
Hurlingham	Assured Tenancies	5m	2,000	19/3	Chancery
Banner	Housebuilders and Secured Construction	1 x 325,000 9 x 500,000	1,000	19/3	Dev. Capital Group
Eastleigh Homes	Hampshire Tenancies	5m	1,000	20/3	Matrix
Link Assured	Assured Tenancy	up to 17.5m	2,000	5/4	William de Broe
Carisbrooke	Freight shipping	5m	2,000	19/3	Chancery
Classic Car	Restoration and sale of cars	500-518,518	2,700	30/3	Royal Bank of Scotland

John Edwards gives a pre-Budget Pep talk

Now's the time for a top-up

THERE ARE two reasons why you should look at a Personal Equity Plan, the Government's tax-free scheme for encouraging wider share ownership, before the end of the fiscal year.

The main reason is that under the regulations for the new-style Peps, introduced at the last Budget, the time period for the annual investment was changed to the fiscal year, April 6 to April 5, instead of the calendar year basis used previously. So anyone wanting to take out, or top up, a 1989/90 Pep needs to act fairly quickly.

In fact the deadline could well be earlier than April 5. In some cases, notably the unit trust only versions of Peps sold "off the page," investors have to be given a seven-day "cooling off" period in which they are allowed to change their minds and possibly not take up the plan. So the deadline is fixed at least seven working days before April 5.

The second main reason for taking out a Pep before April 5 is that it could be the last chance to inject an overseas share element into your Pep portfolio. Any shares bought directly under a Pep have to be confined to stocks quoted on the London Stock Exchange or Unlisted Securities Market. But in the past it has been possible to alleviate the risk of being confined to one market (the UK) by buying overseas stocks indirectly via the investment or unit trust part of the Pep.

However one of the new restrictions introduced into the new-style Pep last year was that from April 6 1990 any investment or unit trusts bought have to hold at least 75 per cent of their underlying holdings in UK stocks.

At one stage it was thought that this would mean any investment or unit trust bought in a 1989/90 Pep would have to be converted to comply with the 75 per cent UK holding requirement from April 1990. So most plan managers restricted themselves to offering UK funds only. But the Inland Revenue then conceded that any existing holdings could be retained in their present form and would not have to be changed. So 1989/90 plans provide a last opportunity to inject an overseas element, unless the Chancellor relaxes the rules in the Budget.

Most of the investment and unit trust groups offering Peps have stuck with UK funds only. But several groups have jumped on the bandwagon by including overseas funds in their Pep schemes. The number is increasing almost daily, but an up-to-date list is kept by Chase de Vere Investments (Tel: 01-404-5766), London intermediaries, which recently published the eighth edition of their comprehensive *Pepguide* that gives full details of more than 250 Peps from 131 management groups. Its costs £6, which is refundable if a Pep is taken out via Chase de Vere.

There are also a wide range of self-select Peps where investors can choose their own investment or unit trusts, although some of these are restricted to UK funds only.

The Pep regulations say you can only take a Pep with one plan manager each year. But this only forbids you from splitting your Pep among several managers. You are allowed to transfer your Pep to a new plan manager. So if you have an existing Pep, which is confined to UK funds only, you could consider a change to a group offering overseas funds.

At the same time you might also wish to transfer if you want to invest the maximum amount of £4,800, but are in a Pep confined to the £2,400 maximum that can be put into investment or unit trusts.

But a word of warning. Transferring a Pep can be expensive, since you might be faced with early redemption penalties or be forced to sell, possibly at the wrong time, existing holdings on which you have already paid hefty charges. For those who have not yet taken out a Pep certain points should be considered.

First, you should not let the prospect of tax savings cloud your judgment as to whether or not you want to take the risk of investing in shares: a risk heightened with Peps by the fact that you are confined to the UK market and can buy only a limited number of shares because of the limit on the amount that can be invested. This means you cannot get a proper "spread" and buying small quantities of shares tends to be expensive.

Investment and unit trusts Peps are usually better value because most of them nowadays make no additional charges; so you get the same product with any benefits tax-free. However as many investors have found to their costs the value of investment and unit trusts can go down as well as up.

Second, how do you choose a Pep? There are nearly 300 Peps on the market with a bewildering variety of choices. Many are discretionary funds, where the plan manager selects on your behalf shares and/or investment or unit trusts. Others offer investors a restricted choice. There are also a growing number of self-select Peps where you are free to choose your own stocks or funds.

It is difficult to compare performance track records – unless you are simply buying a unit or investment trust Pep – because of the variety of choice, and the relatively short period in which Peps have been available.

One answer is to look at the track record of the investment management company. Although running a Pep portfolio may be different to managing a unit trust, groups with good investment teams should be more likely to do well. Another method is to look at the charging structure. Peps with very heavy charges will tend to do worse, simply because less money is being invested.

John Spiers, editor of Best Pep Advice, has devised a method of rating different Peps based on their charges. It explodes one myth that unit trusts are a more expensive way of investing than buying shares direct. With Peps, private investors usually pay dealing brokerage at a rate of at least 1.5 per cent, while unit trusts benefit from being able to buy at low institutional rates of around 0.2 per cent.

However assessing charges is dependent on making certain assumptions that may not apply to everybody. *Best Pep Advice* is published by BESt Investment, a London based research group and intermediary (Tel: 01-986-2037). The full version costs £119 a year but a summary, *Best Pep Investor*, is available for £25.

FINANCE & THE FAMILY

Christian Tyler examines pre-nuptial agreements

Coming up Trumps after the divorce

ENCOURAGED by a caterwauling set of New York career women, Ivana Trump has decided to forget the pre-nuptial agreement with husband Donald that would give her $20m, plus a $5m mansion in Connecticut, and is going for a serious share of the property billionaire's assets. She must, though, be wishing she were in England where the courts are jealous of their role in divorce settlements and will not be bound by any pre-marital pact. If an English judge thought Ivana's 13 years at Donald's side were worth a lot more than she signed up for, he would have no hesitation in giving her the money.

This, not chivalry or sentimentality, is why the English have not much followed the American fashion for pre-nuptial carve-ups, even though a record number of marriages are ending in divorce. Quite simply, under English law the deals cannot be made to stick. Nonetheless, some solicitors think the habit might be catching.

In Scotland and France, such agreements are not uncommon. And in South Africa (another country that uses Roman law) they are "almost a matter of course," according to Richard Sax, a solicitor with Rubinstein, Callingham, Polden & Gale in London. The reason is that, under Roman law, the pre-marital wealth of the partners is not considered and all the property of the partners becomes owned jointly. Deciding whether to opt out of this "community of property" principle can be a matter of some importance for the starry-eyed couple.

In Sweden, too, the divorce court apparently will respect the pre-marital wishes of the couple, says Stephen Gold, of Donnelly & Elliott, who has just arranged a pre-nuptial pact for a client there. If witnessed properly and lodged with the court, such agreements may ensure that each takes out of the marriage only what each brings in and acquires during it.

What sort of people consult solicitors before hiring a morning suit or getting measured for a bridal gown? They are not all star-struck readers of the gossip columns, taking their cue from Trump or Joan Collins. Nor are they necessarily vastly rich. Advice might be sought when one partner is a lot better off than the other — or the family, afraid of gold-diggers, insists on it. Sometimes, the husband is getting married for the second time to a younger woman and wants to keep something back for children and grand-children of the first marriage.

"In my experience, men of wealth are always looking over their shoulder. That's why they often co-habit instead of marrying," said Gold. "I am well accustomed to men asking me how they will stand on divorce. People are intelligent enough to realise that love may go out of the window one day."

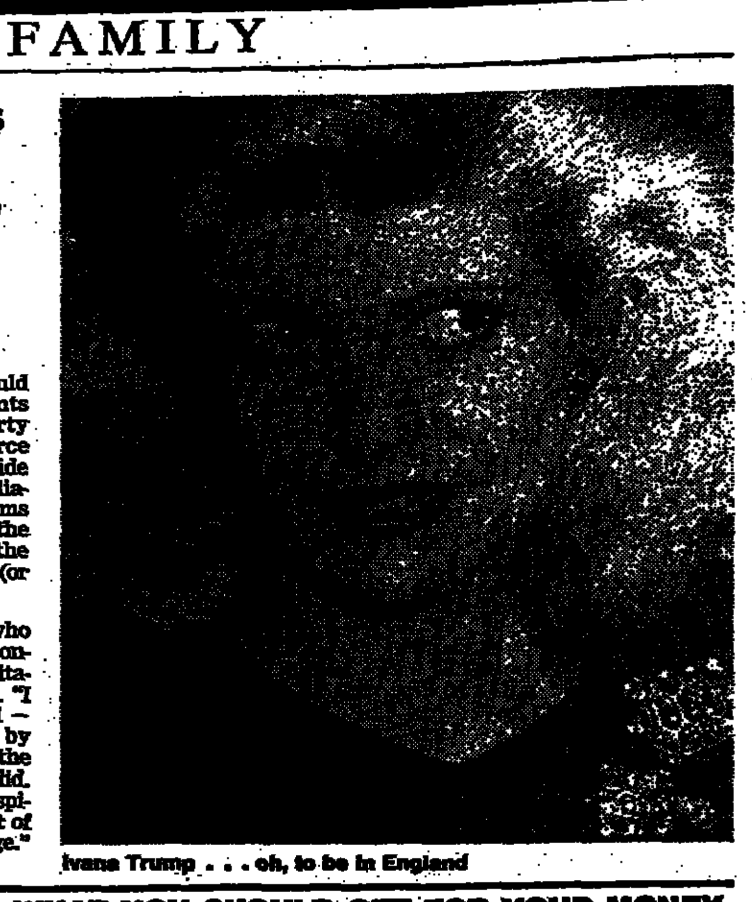
He thinks that, in the past decade, men have become "more aware of the fact that they can be taken to the cleaners" — despite the contrary evidence of celebrated cases like that of John Browne, the man who is still just about MP for Winchester, and the increasing use of the "clean break" that puts an end to the former wife's claims. The fear arises because, since 1973, contributory conduct virtually has become irrelevant and there are no official winners and losers any more in divorce cases. Unless it is very bad indeed, a wife's bad conduct is no help to the husband.

The Trump agreement, reputed to run to many pages and up-dated as the couple's three children were born, would not be regarded in England like any commercial contract. The court would read the document and might even accept it as guidance, especially if the marriage were very short and childless. But the courts will not allow newly-weds to anticipate: they feel they should be protected from themselves.

Where couples live together without marrying, however, agreements are not only common but, according to solicitors, useful and desirable. They are good evidence of intentions even if their legal status is unclear. For example, a woman who moves into a man's house might be entitled to some share of the property if they break up, says David Ruck, of Speechly Bircham in London. Gold quotes a case where a woman was awarded a quarter share of the house because the Court of Appeal was impressed that she had wielded a 14lb sledgehammer while renovating the place.

That is not the end of the story, though. Even now, a Law Society committee is considering whether to press for a legislative change that would make pre-nuptial agreements about money and property enforceable in the divorce court. But even if they decide to follow that line and parliament agrees, hideous problems of etiquette could arise. In the nerve-wracking run-up to the wedding day, how will he (or she) pop the question?

The only person I know who was offered a pre-nuptial contract (after years of co-habitation) still feels sore about it. "I felt I was being manipulated — but I didn't really know by whom," she said. "I found the whole business rather sordid. It introduced an air of suspicion and distrust to the start of an otherwise ideal marriage." She never did sign.



Ivana Trump . . . oh, to be in England

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	5.00	5.10	4.08	monthly	1	-	0-7
High interest cheque	7.00	7.20	5.76	monthly	1	500-4,999	0
High interest cheque	9.00	9.40	7.52	monthly	1	5,000-9,999	0
High interest cheque	9.20	9.60	7.68	monthly	1	10,000-49,999	0
High interest cheque	9.50	9.90	7.92	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.50	6.61	5.29	half-yearly	1	1-250,000	0
High interest access	8.50	8.50	6.80	yearly	1	500	0
High interest access	9.00	9.00	7.20	yearly	1	2,000	0
High interest access	9.50	9.50	7.60	yearly	1	5,000	0
High interest access	9.75	9.75	7.80	yearly	1	10,000	0
90-day	9.75	9.99	7.99	half yearly	1	500-9,999	90
90-day	10.25	10.51	8.40	half yearly	1	10,000-24,999	90
90-day	10.75	11.04	8.83	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	11.75	8.81	7.05	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue♦	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.76	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	13.44	11.32	10.04	half yearly	4	-	0
8pc Treasury 1992	13.12	10.99	9.71	half yearly	4	-	0
10.25pc Exchequer 1995	12.08	9.37	7.76	half yearly	4	-	0
8.5pc Treasury 1994	12.38	10.06	8.68	half yearly	4	-	0
3pc Treasury 1992	11.14	10.31	9.80	half yearly	4	-	0
Index-linked 2pc1992§§	10.37	9.85	9.54	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; Immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Expatriates/Peter Gartland

Try Jersey for pensions

PERSONAL pensions have become an established feature of retirement planning in the past two years. Now, as a result of a scarcely publicised but very significant change in Jersey tax legislation, such pensions are available to British expatriates as well as to non-British nationals resident outside the UK and the Channel Islands.

Expatriates working for an overseas branch of their UK employer usually have been able to retain their membership of the employer's UK pension scheme, subject to Inland Revenue approval. But the Jersey change is of particular interest to self-employed expatriates and others who make their own pension arrangements.

Until now, their pension planning usually has centred on a range of so-called offshore plans which often are nothing more than cleverly packaged insurance bonds and maximum investment plans. Such contracts have been criticised for their large bid-offer spreads and the high commission payments to intermediaries, factors that have conspired to depress the investment performance.

Now, because of the Jersey change (known as Article 131c), it is possible for expatriates to set up their own personal pension plan.

The Article is crisp enough. It says, quite simply: "The Comptroller (of Income Tax) may approve a retirement annuity contract made by an individual who is resident outside the Island and whose employment, trade or profession, if any, is exercised outside the Island."

The new legislation imposes two further conditions: the contract must be made with a company carrying on annuity business in Jersey and it must be arranged through a local insurance broker. (The purpose of this is to ensure there is some economic benefit to the island from the business).

Naturally enough, joyous Jersey-based brokers anticipate a flood of lucrative business and have been busy issuing press releases extolling the virtues of the new plans. J. Murray Montgomery, a director of the St Helier-based Shepherd & Co. (a FIMBRA member), says the need for a personal pension for expatriates was "blisteringly obvious."

Among other Jersey-based financial advisers offering personal pensions to expatriates are M. J. Touzel, Jon Hay Financial Management and Stanhope & Partners, all of St Helier. So far, only two of the UK's major mutual life companies, Clerical Medical and Norwich Union, have entered this market. Both are offering investors access to either their with-profits fund or their unit-linked contracts. It is understood that General Accident, Prudential and Royal Life are close to launching their own products.

Article 131c contracts look highly attractive. The proceeds can be taken as a 100 per cent lump sum payment free of both UK and Jersey taxes although, as Norwich Union points out, "benefits taken as instalments may be taxed in your country of residence, whether the UK or elsewhere."

The UK Inland Revenue has confirmed that tax will not be charged on payments in respect of foreign employment. Furthermore, benefits can be taken at any age between 20 and 75. Normally, benefits under a UK pension plan can be taken at an early age only by people in especially hazardous occupations, such as professional boxers and deep-sea divers. Moreover, Article 131c contracts impose no upper limit on contributions up to £100,000 (annual) or £1m (single payment).

The biggest single point to watch concerns charges on the regular contribution contracts. These will vary according to the size of the contribution and the number of years to selected pension age.

In the worst cases, only 70 per cent of contributions will go towards investment, with the remaining 30 per cent being swallowed up in charges.

□ *Peter Gartland is editor of The International, the FT'S magazine for expatriates.*

Diary of a Private Investor

Finding profit from a loss

MORE THAN 18,000 British companies went bust in 1989. With present economic conditions and high interest rates, it is likely that even more will go to the wall this year.

Private companies were not the only ones to suffer. Receivers were called in to several publicly quoted companies including aerosol manufacturer Talbex, shop-fitter Sharp & Law, and Kentish Property Group.

This year, a receiver has gone to Staks Holdings, the furniture and glassware retailer, and administrators have been appointed at Dominion International, the financial services group. Luckily, exposure to these failures has been limited to my wife's 1,000 shares in Dominion.

With the end of the financial year drawing near, I was keen to find out the capital gains tax situation of the Dominion share-holding. When suspended, the share price was 52p, but they cost my wife 99p in 1985 and, originally, formed part of a larger holding in that company – half of which she sold for 113p in 1986 and much of the rest at 92p in 1988. The question remained: were her 1,000 Dominion shares now worthless and would she be able to offset the loss against her gains this tax year?

I contacted one of Dominion's administrators. He was most helpful and said the almost-certain outcome was liquidation of the company's assets, proceeds from which would go to creditors. He expected an announcement by mid-April about the share value – which was, he added, likely to be negligible. So, it looks as if my wife will be able to offset her Dominion loss against her capital gains on other shares.

The Inland Revenue is keen on "official" declarations of the "negligible value" of shares since, under section 22 (2) of the Capital Gains Tax Act 1979, this demonstrates the allowable capital loss.

Sometimes, due to a company having thousands of share-holders but no money, they cannot be circulated with details of the collapse. To find out if shares are valueless, it is necessary to look at a specialist publication such as the Stock Exchange *Official Year Book* (available in the reference section of most large public libraries). This lists quoted companies that have gone into liquidation or receivership; has a register of defunct and other public companies; and also gives details of any payments that might have been made to share-holders because of liquidations.

A more up-to-date publication, Extel's *CGT Capital Losses: Securities of Negligible Value*, is published twice a year and costs a total of £32. Get it from Extel at Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.

Flipping through the Extel book, I was reminded of my July 1983 purchase of 10,000 shares (at 23p each) in Bambers Stores. This retail fashion chain got into financial difficulties and a receiver was appointed in September that year, giving me a rather quick loss of £2,300. Unsecured creditors included Barclays Bank, which was owed £7.5m – so proving that, when companies go bust, it is not only their share-holders who suffer: creditors can be affected badly, too.

Right now, with problems involving junk bonds, high borrowings of certain management buy-outs and a down-turn in the economic situation, I would not buy bank shares. It will take only a medium-sized bank to go under – probably in the US – to affect the whole sector.

Chickens also are coming home to roost. In an *FT* article in June 1987, I described how Sock Shop's flotation document had put me off investing even though many financial commentators recommended it. The prospectus showed the company was aiming for a market capitalisation of £49.7m and a price/earnings ratio of 31.5 – yet it had net assets of only about £3.5m.

The flotation was a great success and the p/e ratio went soaring to over 50. This week, Sock Shop applied for administrators to be appointed. The p/e on the shares, which were suspended pending re-financing talks, had fallen to 4.3 and, since 1989, their value had plummeted from 193p to less than 35p.

I have never liked high p/e ratios. I also avoid companies with very high borrowings. Perhaps that is why, overall, I am still showing a profit on my share dealings.

When company reports and accounts arrive, I always look at the sections dealing with creditors and debtors and the level of stocks. If the amount of money owed by other companies has risen greatly from the previous year, then I consider selling my shares; perhaps some of those companies will be unable to pay.

If the level of stocks has increased substantially, does this mean that people are finding the company's products less appealing and that the "true value" of the stocks is really lower than that in the accounts? The stocks may be in the books at "directors' valuation" or even at "cost price." But if the goods are proving difficult to sell, then the only way to get rid of them might be to sell them below cost price, thus incurring a large write-off against profits.

In recent years, so-called creative accounting has grown widely and it has become even more difficult to work out the true value of a company from its accounts. A recent decision in the House of Lords – which implied, basically, that auditors owe no duty of care to individual share-holders – has made investing in companies even more of a minefield than before.

All of this helps to explain why my share portfolio has been much reduced to take advantage of high bank account and other interest rates.

Kevin Goldstein-Jackson

Debt due on wife's estate

MY WIFE has an estate of about £220,000, including a house valued at £150,000 and investments worth £70,000. Our only daughter and I are executors and sole beneficiaries. We want to take advantage of the £118,000 inheritance tax exemption by bequeathing that sum to our daughter with the residue to me.

If I survive my wife, I hope to continue to live in the house so (with my daughter's agreement) could, say, £70,000, be paid to my daughter leaving, say, £48,000 as a debt due by the wife's estate until my death or earlier sale of the house?

■ Yes, your wife can provide for a gift of all her investments to your daughter and also for a 30 per cent share in the equitable interest in the house to go to her, with 70 per cent being left to you. If your daughter agrees, her share in the house need not be realised during your lifetime.

Halfway house

YOU STATED recently that retaining 50 per cent of the value of a house by a surviving spouse living in it might be "considered to be an express or implied condition attached to the gift of the other 50 per cent [to the children, under the will of first spouse to die] not to deprive the surviving spouse of possession," creating benefit reserved.

Is it inheritance tax-efficient for me, as a widow, to give 50 per cent of the value of my wholly-owned house to my two sons and my three sisters (i.e., 10 per cent each) and then pay 10 per cent of a commercial rent to each co-owner? Or would the Revenue consider that even such a group could collaborate to deprive me of possession? If so, would a smaller percentage be allowed?

■ *You could adopt the course* which you suggest or else give your sisters a smaller share each. It could be of limited value in the long term to dispose of part of the property to people in your own generation.

After the collapse

A RELATIVE has told me he recalls an article in the Weekend FT saying only a percentage of your investment is secured by an insurance scheme if a building society collapses financially. Could you please supply further information?

■ The Building Societies Act 1986 provides for an Investor Protection Fund which pays investors 90 per cent of their money up to £20,000 (for each investor) if a society is unable to meet its obligations. Thus, the maximum amount safeguarded for any one investor is £18,000. The Act applies to all societies.

Claw-back drawback

WE WISH to maximise use of my wife's tax-free allowance but want to claw back tax credits on bank dividends paid net of tax. We assume a wife's allowance will be £3,800 and the tax credits £300.

If her income is £3,800, can she claim back the whole of the £300; or must her income not exceed £3,500 (i.e., will the clawed-back £300 be considered as part of the £3,800 tax-free allowance?

At the last dividend, she decided to take shares in place of cash. As these were allocated on a "net valuation" and

Q&A
BRIEFCASE

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this will have to be considered as net income (i.e., tax-paid), can the tax-paid part be reclaimed in the future as though cash had been received?

■ First point: The one-third tax credit attaching to UK dividends forms part of one's total income, so suggestion No. 2 is right. Second point: No, the imputed tax credit on dividends foregone in favour of scrip is not recoverable.

Unpaid salary

I WAS a director of a small firm which was put into voluntary liquidation in March of this year. At the time, three months' salary was due to me and the only other employee. The liquidator accepted this as being preferential, showing it as such in his statements. This money has not yet been paid and reminders, written and verbal, draw no response. What should I do to get it? And can I claim this payment as either an investment loss against subsequent CGT, or by way of a reduction of income tax payable?

■ You can pursue your claim by court proceedings if necessary (provided there are funds from which the liquidator can pay). Your payment under the guarantees will not be deductible for income or capital gains tax purposes but you do have a claim in the liquidation as an unsecured creditor.

Send for the judge

MY WIDOWED daughter and her four children live on a small new development, the access to which is via a private road. She has a continual problem driving into and out of her property due to inconsiderate parking by her neighbours and their visitors. When she asks them, politely, to move offending vehicles, she is met with a torrent of abuse and foul language. She has tried to resolve this in a neighbourly manner but the couple next door seem to be totally anti-social about it all.

■ The only way in law to resolve the position is to identify one or more people who regularly impede the access and obtain an injunction in the County Court restraining them from obstructing the normal access route.

Benefits of a pension

AS A SENIOR staff employee of a large chemicals group, I am eligible for a pension based on my salary when leaving the company. Since a company car and health insurance are provided, my taxable salary includes the tax benefits incurred by these perks. Should my pensionable salary also include these benefits?

■ The fact that the Inland Revenue permits the taxable value of a company car and health insurance to be included in your pensionable remuneration in computing maximum permitted pension benefits does not mean that every employer uses this definition of pensionable earnings for the purposes of the rules of his own scheme. A large number do not because of the administrative complexities involved.

Payment of poll tax

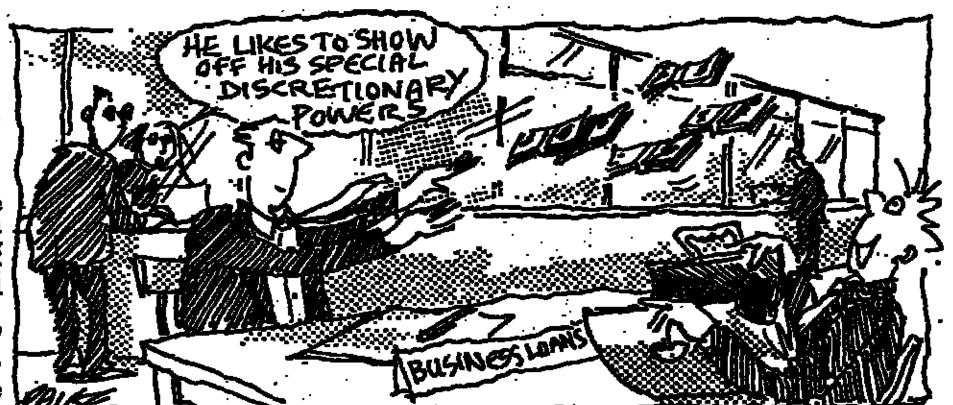
WE ARE the joint owners of a freehold house in one London borough and also own an unoccupied leasehold flat in another borough. What is the poll tax position if we were to live separately? If we stay together, do we have to pay poll tax four times? Is poll tax payable by both owner and occupier?

■ If you separate genuinely, each will pay one community charge for the house or flat in which he or she lives. If you stay together, you will be liable for two community charges and one standard charge.

MINDING YOUR OWN BUSINESS

Banks for small companies: **Roy Hodson** looks at what Barclays has to offer

If big is beautiful, bigger is better



MARKET share is *something that makes* the eyes of Barclays and NatWest bankers light up. For many years, they have battled to be the biggest bank in Britain. Indeed, there have been occasions when both have claimed the accolade at the same time.

This burning desire to be big will not concern small business people very much. Indeed, some may find it puzzling as they develop their careers on the notion that small is beautiful. But when you tap a Barclays manager, it is worth remembering that he is likely to have had intense *training in selling his bank* and its services. He will be anxious to do a deal. If he can win a new account, he will have contributed his mite for the day towards making the group just that little bit bigger.

Barclays handles around 7m accounts through its 2,700 branches, of which just *over 1m are business accounts*. A breakdown of these shows there is heavy support for new and fledgling businesses.

Only a small percentage of the accounts are for companies with more than £1m annual turnover; 22 per cent are for firms turning over between £100,000 and £1m. Of most significance to small businessmen, 75 per cent of all the Barclays business accounts are for operations turning over less than £100,000.

The managers responsible for the bank's small business strategy are fond of quoting that figure. They maintain robustly that, although their bank is big, their *hearts are with the small business person.*

Most people looking for help from Barclays will deal with their high street branch. But while it is not true that managers do their work on the golf course, often they are out meeting clients or are away on courses of the non-golfing variety.

Barclays realised some time ago that the *biggest problem for small business users* was finding someone, apart from the elusive manager himself, to deal with *problems as they arose.*

The answer has been to appoint an up-and-coming staff member in each branch as Business Banker, sitting at a clearly-labelled desk and acting as the main point of contact for small business customers.

Michael Tucker, who is in charge of small business development, says every branch should have a Business Banker by later this year.

If, however, you want more specialised help, then you can go to one of the 328 Barclays business centres in Britain where the managers spend their entire working life providing finance and banking facilities for industry and commerce. You are also promised a "one-stop" service for your business and personal banking affairs at the centre you choose.

Richard Cracknell, senior manager of Barclays business development section, says: "During our rolling programme of business training courses, the primary *thrust* has been to train people for the business centres. Now that these are in place and manned, Barclays is extending its business training programme to cover managers and senior staff in its retail branches."

It is worthwhile trying to work out who in the bank actually has the power – known professionally as the "discretion" – to lend you the money you need. Those with the biggest discretionary powers usually will be found in the business centres and authority to lend £1m is not uncommon.

If your new business is in the technology sector, remember that Barclays has 60 high-tech centres within its network of business centres. They are sited as strategically as possible; the one at Reading in *Berkshire serves the M4 "silicon valley"* computer industry.

Barclays grew to be a national institution as a result of amalgamations of local and regional banks and today has 24 *regions which can serve* a small business well – particularly if it is attuned to your region. For instance, someone looking for capital to back an invention for agricultural use is likely to get a more understanding reception from the bankers of East Anglia than their colleagues in the industrial heartlands.

The bank is now installing a national "medical help-line" for doctors and dentists in its business development section in Lombard Street, London.

It will advise, quickly and clearly, on the financial complexities that arise in running professional practices and the help available. Another help-line handles queries from people interested in taking *out a business franchise.*

Last but not least: if you think your business has a part to play in the new Europe, Barclays has appointed officials in each region known as "Mr 1992." Their job is to field any questions on Europe that could floor your local manager.

Denise Pearson and Colin Swindale: a thriving business in the boatyard

Alan Harper

From Edwardian luxury to vessels for the family budget

Jolly good boating business

A wrong number set a husband-and-wife boatbuilding team on the road to success. Anthony Moreton reports

COLIN Swindale and Denise Pearson are not the usual husband-and-wife team you would expect to find on page one of the business textbooks.

True, as a shipwright, he does the practical side of their *boat-building business and* Denise Pearson knows how to type, keep the books and chase up the orders. But she also takes her turn in the boat building shed at the side of the marina that is the workshop for their company, Swansea Maritime Services.

"If you want to do something you find out how to do it. I'm a dab hand with a jig saw," she says. "When we started there were just the two of us. He needed someone to hold the nut while he tightened the bolt. It helped *if someone else did* the sanding down. I quite enjoyed it and quickly learnt how to do things that would speed the work."

Her training was as a medical laboratory scientific officer in the health service, but now she costs boat projects or beats down suppliers *as* well as working on the boats.

Swansea Maritime Services builds and repairs boats. The company began when Swindale was asked by the city Maritime Museum to restore an exhibit, an Edwardian gentleman's racing yacht. He is a shipwright by training and previously had his own business on the East coast.

Swindale and Pearson started from scratch. After the commission for the museum, *the company* became established with a contract to "do up" 39 rowing skiffs for a lake in Cardiff. The job came by accident.

"Cardiff corporation, which owned the boats, looked up a repairer in *Yellow Pages* and picked the wrong one," Swindale says. "But the company it approached knew of us and passed on our name."

From that lucky beginning in 1986 the husband-and-wife team have built a business with a turnover topping £100,000 a year. They now employ two others and a trainee.

Now Swindale may buy in a hull and build the rest of the boat. Or he might design and build a one-off yacht. The company is also agent for Tyler Boat Company and has just completed a yacht down to the last details, including cutlery and china, for a Jersey buyer.

Just before Christmas he delivered a former lifeboat from a tanker to a businessman in Newport after fitting it with an engine. And shortly he will be handing over a Nelson 34-foot, motor yacht, to the aluminium company Alusuisse. The vessel, the company's first *export order, cost £80,000.*

Starting in business from scratch you need two things: a good bank manager and a a good accountant. "We got off on the wrong foot with our bank manager," says Swindale. "We went to TSB and never got anywhere. So we moved *to* Lloyds and we could not have been better treated. But you have to play right by the bank. Don't spring things on them. Tell them what you are doing, and why, all the time."

They were also helped by Mike Burns, of Swansea's Centre for Trade and Industry, the borough-led body devoted to encouraging industry in the city. The centre made them an *interest-free loan to buy* machinery and has given them advice and morale support ever since. "Mike Burns has given us unlimited advice and help and smoothed many of the problems that have faced us," Denise Pearson says. "I know that if I ever need help I can go *to him.* This is important *for a* small business because you simply cannot know everything there is about changes in taxation or rates policy."

In the boat building industry repair work tends to be concentrated between now and Easter, and new building over the summer. It is also a hand-to-mouth business, with no certainty of where the next order will come from. This year, just as they are getting on their feet, sharp increases in interest rates and a home market that is taking a wait-and-see approach will make life *difficult.*

For the future, their aim is to build a traditional family day boat at a reasonable price.

■ *Swansea Maritime Services, Maritime Quarter, Swansea SA1 1UW. Tel. 0792-466548.*

Despatches

Surgut or bust: an Aeroflot odyssey

***Steven Butler** found the going hard, cold, and unpredictable — and as for his schedule . . .*

SOMETIMES, even in the Soviet Union, the best-laid plans all go wrong. The day started well enough in the pre-dawn cold of Khabarovsk, the Soviet outpost at the northern tip of Manchuria which is seven of the nation's 11 time zones east of Moscow. The packed snow crunched noisily under my boots as I left the hotel and got into the waiting taxi.

At the airport, Aeroflot's flight to Novosibirsk, an industrial city of 1.5m on the Trans-Siberian Railway in western Siberia, left on time. It arrived on time, too, after six hours (including a stop beneath the giant hydro-electric dam at Bratsk) of travelling above frozen wilderness. This is when the troubles began.

The ticket for the connecting flight to Surgut, an oil town about halfway to the Arctic, was bought two weeks earlier. Since then, however, Aeroflot had changed the schedule, giving no advance notice. Under the old one, there would have been about eight hours to make the connection for a 9pm flight north. Alas, the re-scheduled 'plane left on time at 9am, presumably with two empty seats — one for me and the other for Sergei, my interpreter and guide.

His agitation was assuaged visibly by an assurance from the sweet, smiling Intourist representative manning the large, empty, international passenger lounge that we were guaranteed seats on the next day's flight. Just stop by in the evening to re-confirm, she said.

Our next bit of "luck" was a vacant room at the airport hotel (although I couldn't help wondering, whose reservation did they cancel?). After that, lunch appeared the only remaining serious problem. A large, matronly women manning the drinks counter in the lounge volunteered to make sandwiches. There were two choices: salami or caviar. Thus, lunch consisted of mounds of bright-red salmon eggs spread atop sour Russian rye bread, buttered and cut into diamond shapes with the crust removed carefully, and washed down with fizzy, alkaline mineral water. (I think I'd have chosen Perrier, even with the benzene.)

The hotel's reception desk looked like the tall, imposing counter of a pawn shop, with the clerk protected by a thick, scratched Plexiglass window with a small, jagged-edged portal cut roughly at the bottom. Our room on the first floor had four small beds while a yellowing sink lit by a dim fluorescent tube provided cold and hot water coloured a peculiar metallic orange. Still, the room was tidy and reasonably clean, although the sheets were tattered and full of holes. But the toilet down the hall was beyond description.

We spent the afternoon in Novosibirsk attending a debate over the economy in connection with local elections. No policy consensus emerged as far as I could see, other than agreement that something was fundamentally — indeed, catastrophically — wrong with an economy that could put men into orbit but couldn't get soap and lavatory paper on to store shelves.

Dinner at the hotel consisted of vinegared cabbage plus a liver-in-gravy concoction dumped on over-cooked spaghetti. It was afterwards that disaster struck again. A considerably less sweet and smiling Intourist official, from the evening shift, told us that the next day's flight was full. We would get on it "only if you are very lucky. Don't be late."

We weren't, but Aeroflot was. The temperature in Nizhnevartovsk, a scheduled stop en route, had fallen to −47 Celsius and it was foggy; thus, the flight was delayed. After four hours, Sergei emerged from the international lounge and sought out the manager of the airport. She listened sympathetically to his pleas of misery and warnings that the future of Soviet-British relations (the Soviets love Mrs Thatcher) was at stake. Instantly, we were confirmed on the flight — IF it ever left. And, eventually, it did, seven hours late with empty seats after the temperature along the way rose to a tepid −40.

> *'The passengers were fitted-out comprehensively for a Siberian expedition: furry boots, dead animals on the head, heavy sheepskin coats. Unfortunately, the cabin temperature on the aircraft was 95 degrees . . .*

The passengers were fitted-out comprehensively for a Siberian expedition: knee-high furry boots, dead animals on the head, heavy sheepskin coats. Unfortunately, the cabin temperature on the 45-seat, propeller-driven, Antonov aircraft was 95 degrees. (I had a thermometer!) Three hours later in the foggy, deepening twilight, the stewardess emerged from the cockpit to announce that the airport at Nizhnevartovsk had been closed and we would land . . . where? We were running out of fuel.

I turned to Sergei to ask again so I could write down the name of this mysterious place. A conscientious sort who hates surprises, he was not amused. "When we get on the ground, I'll tell you everything," he said, each word dripping with annoyance.

After another half-hour or so, the aircraft landed and came to rest in a 2ft snowdrift. A frigid wind sliced across the tarmac as passengers piled out to re-claim luggage from the nose of the 'plane. The terminal building, which looked like a large, run-down garage, was jammed with more people in furry hats and boots.

Sergei, who had disappeared into the crowd, came back and told me to follow him. He led me to a small, private lounge that looked like the inside of an abandoned bungalow — a broken-down sofa covered with a worn Oriental rug, plastic laminated cupboards with doors half open and an empty, broken refrigerator. It turned out we were in Neftejuganask, about 100km from Surgut.

"I've told them that either we find a car to take us to Surgut or they get us to Moscow as quickly as possible," said Sergei, with evident satisfaction at threatening some action. But he warned we would have to "pay through the nose" to get to Surgut. And we did: 150 roubles (£15 at the tourist rate). I told him, reluctantly, that this was half the cost of a taxi home from Heathrow airport for me.

We crammed into a tiny, battered, yellow Lada estate with a tracery of cracks running up and down the windscreen. (Obviously, another item in short supply). The driver put in some petrol and set off across the forbidding landscape. He tried to stay in the relatively clean centre of the road but it was necessary to skirt snowdrifts in the dark and we slipped and slid over the ice as we avoided oncoming traffic or passed trucks kicking up giant wakes of snow.

Winter drivers in the Soviet Union, I had learnt, do not expect to keep four wheels stuck firmly to the surface; they accept that skidding and swerving is part of getting there. Our trek included a drive across the frozen surface of the Ob river, which winds lazily through the Siberian swamps, north toward the Arctic. (There is a ferry service in the summer.) Finally, we arrived in Surgut. Not on time.

Steven Butler

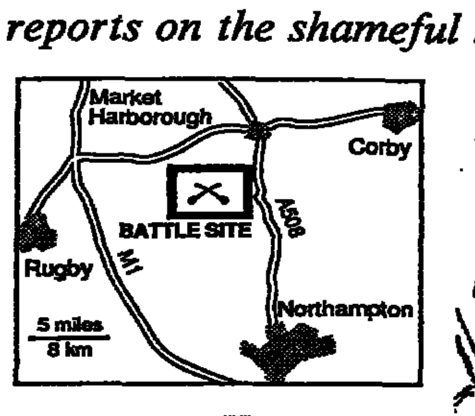
Survival kit for arduous travelling in the Soviet Union:

- Toilet paper
- Soap
- Water filter
- 220 watt electric coil for boiling water plus tin cup
- Food rations (cheese, nuts & raisins, chocolate bars, etc)
- Vitamin pills and any medicines that might be needed
- One long novel and a portable chess set

Digging in for the battle of Naseby

***Antony Thorncroft** reports on the shameful neglect of Britain's historic wargrounds*

THE BATTLE for Naseby was fought again this week with the mild-mannered Chris Patten, Secretary of State for the Environment, playing the part of Oliver Cromwell. The site of the most decisive battle of the English Civil War, in which Cromwell's cavalry inflicted a crushing defeat on King Charles I, is under threat from a major road that would desecrate the site.



This is the latest episode in the dismal history of neglect of Britain's historic battlefields — a neglect that many visitors from other countries must find astonishing. The Naseby site in Northamptonshire appeared to have been saved more than a decade ago after conservationists insisted that a proposed link between the M1 motorway, the A1 trunk road and the east England ports should avoid the battlefield by taking a more southerly route. But the relief was temporary. A new report is being prepared for Patten and the heritage lobby fears it could have been outpunched by the area's influential hunting community, which favours a northern route that would drive a four-lane highway across one of the most unchanged battlefields in the country.

Unlike most other nations, especially the US, England shows scant concern for its battlefields. Most are marked on maps but you are fortunate to find more than a wrongly-placed obelisk commemorating those bitter turning points in the nation's history. Naseby is a case in point. Apart from a couple of copses and some enclosing hedges, the rolling countryside is unchanged from June 14 1645, when Prince Rupert's cavalry tore through the Roundheads and only the genius of Cromwell, launching a furious counter-attack on the Royalist left and doubling back to pincer the enemy infantry, saved the day.

In Victorian times, visitors a'plenty supported three hotels in the village of Naseby. Now, there is just a rudimentary, ill-stocked museum on the site, signposted badly and accessible only through a farmyard.

David Chandler, of the military history department at Sandhurst's Royal Military Academy, has visited most British battlefields and gives a depressing run-down. Only in Scotland, where the National Trust takes an interest, is anything done to inform the visitor and safeguard the sites. Culloden is worth the diversion, although the actual moor has been ruined by conifers. Killiecrankie and Bannockburn are also cared-for fairly well.

South of the border, Bosworth is the only site to receive serious attention.

Chris Patten: grappling with the ghosts of Cromwell and Charles I at Naseby battlefield

Leicestershire County Council, alive to the potential from tourism, has converted an old farmhouse into a visitor centre, complete with showings of the Olivier film of *Richard III*. The battlefield, too, has survived well, making it the "best buy" among English sites.

By contrast, the local council responsible for Sedgemoor in Somerset (which Chandler lists — along with Hastings, Naseby and Bosworth — as one of the key English battles, because it was the last) decided recently by one vote not to invest in a tourist bureau. This is doubly depressing since the battlefield at Sedgemoor is virtually unchanged.

Some battles — such as the two fought at St Albans, north of London, during the Wars of the Roses — are lost beneath urban development but many, like Marston Moor and Edgehill, took place in open country which has not changed much and enables historians to conjure-up the scene (albeit with the help of a textbook rather than the well-appointed museums that the sites need).

Even the field of Hastings, now in the grounds of a private school, retains such features as the Senlac ridge where the English made their last stand in 1066; but although there are table-top models of the action, the facilities are inadequate to record the most famous military confrontation in English history.

The situation is very different overseas. All the main sites of the American Revolutionary and Civil wars are incorporated in state parks and maintained lovingly, with comprehensive information facilities from literature to audio-visual presentations. Gettysburg alone has more than 2,000 individual monuments and, until the recent growth of pleasure parks, battle sites were the most popular outdoor attraction for Americans.

Major Tony Holt, who runs Battlefield Tours based in Sandwich, Kent, takes enthusiasts to 40 different sites worldwide. He has explored the Falklands and this year added Vietnam to his schedule. He leads parties to the Somme and other sites of the First World War, such as Vimy Ridge where trenches are preserved to give visitors a feel for the horror of the place.

The beaches where the the Normandy landings took place in 1944, and the immediate hinterland, receive thousands of travellers with car parks and signposted routes, and a Peace Museum has opened at Caen. But Holt no longer leads tours to British battlefields: he has tried, but it proved dispiriting.

The most obvious body to fight for them is English Heritage. Under the chairmanship of Lord Montagu it has shown commendable energy in improving some of its major sites, such as Stonehenge and Dover Castle, but seems much more concerned with historic buildings than historic locations. Indeed, it maintains that its brief prevents it from assuming responsibility for landscape areas. This has not stopped it from improving important gardens, and it could at least raise its voice on behalf of Naseby.

As the heritage industry becomes ever more important as a revenue-earner, and a form of mass entertainment, a move now by a well-meaning arbiter like English Heritage to take the nation's main battlefields under its wing could prevent wasteful neglect, tasteless exploitation or — unless Patten shows his Green side — wanton destruction.

Genius of the Place

A safe house for soul and psyche

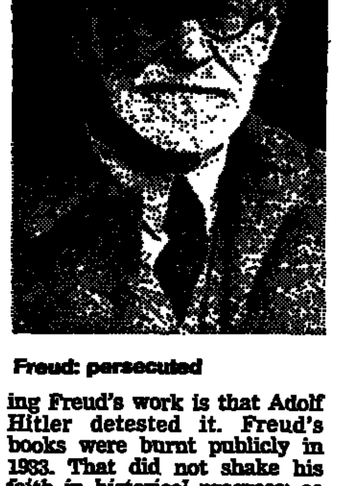
"I hate the sort of allegorical painting where people can say 'Ah, so the vase equals the penis' and so on. I want the penis to be the penis."

THESE ARE the words of Lucian Freud, the painter. They state an attitude with which many of us will sympathise. A rose is a rose. A dream is a dream. If it was a strange dream, put it down to that toasted cheese at suppertime. Plenty of people live lives free of psychological inquiry, and their number may even include the descendents of Sigmund Freud; though I doubt that Lucian Freud goes so far into the no-nonsense camp as to dismiss completely the business (and it can be big business) of psychoanalysis. To regard shrinks as trick cyclists is still permissible in Britain, less so in the US: and prior to visiting Freud's house in Hampstead, London, I would have counted myself as inclined towards a commonsensical scepticism. But having been there, I find Freud means more.

It is a house like the others in Maresfield Gardens, NW3. But it calls itself a museum with good reason, for it is full of antiquities. Near Eastern, Egyptian, Greek, Etruscan and Roman: mostly small-scale, but obviously the collection of someone who had an eye for the authentic and the interesting. They are stashed about the house as Freud had them — in cabinets, as free-standing ornaments, and on his desk (where he was given to fondling them as he wrote). Some of them are there because Freud was simply fascinated by what Heinrich Schliemann, the German businessman fascinated by the tale of Troy, and other archaeologists were bringing to light. We know that the whole process of archaeology provided Freud with a metaphor for the science of psychoanalysis; others have a particular Freudian interest, such as the Athenian vase depicting Oedipus and the Sphinx.

Among the statuettes are several Erotes — pungent little emblems of the large libidinous forces which Freud perceived at work in the human unconscious. When Freud defined an "archaic heritage" that affects us all, he meant certain patterns of religion, morality and custom which operate even though we may be unaware of them. An Etruscan pot may illustrate those patterns better than words: hence Freud's need of his relics. In his house, you cannot get away from them: so why not live with them? And why not learn to be articulate about infantile experiences and learn to live with the neuroses they cause?

One good reason for admiring Freud's work is that Adolf Hitler detested it. Freud's books were burnt publicly in 1933. That did not shake his faith in historical progress: as he pointed out, they would have burned him as well as his books if it had been the Middle Ages. But one does not know how narrowly he missed death in a gas chamber. He escaped Vienna in 1938 and managed to evacuate most of his belongings, including the carpet-covered couch for his patients. For a year he carried on working, up to his death in September 1939.



Freud: persecuted

To erect a Blue Plaque and establish a museum on the basis of a year's residence may seem extravagant, and it is true that the Freud Museum in Vienna looks covetously over to London: but the museum, set up in 1986, is due largely to the work of Anna, Freud's youngest daughter, who stayed on in the house — and it has a serious justification to it. Freud was a scientist. He tested theories, some of which turned out to be absurd, and some of which continue to illuminate. He was unable to work in Vienna: he came to London.

As it happened, he was an Anglophile; as it happened, he was a distinguished man. But the essence of it is that London gave him the chance to work without persecution, and so long as London is open to persecuted people from other parts of the world, London is great. Suppose you get peckish in Maresfield Gardens. Walk up into Hampstead Village, and within a stone's-throw range you have a choice between several English pubs, a French bistro or two, a Yankee burger bar, and restaurants of Chinese, Greek, Indian, Italian and Thai complexion. The choice is yours: praise be for such choice.

■ *The Freud Museum, 20 Maresfield Gardens, Hampstead NW3 is open Wednesday-Sunday, 12 noon — 5pm. Tel 01-435-2002/5167.*

Nigel Spivey

The man who fell to earth

From Page I

childish in their desperation to be the biggest and the best, at the expense of much regard for the corporations they were advising. Bruck reports in her book that in 1983, Drexel's executives appended to notes of a management meeting the following statement of intention in block letters: "TO BE AS BIG AS SALOMON SO WE CAN BE AS ARROGANT AS THEY ARE AND TELL THEM TO GO STUFF IT."

The height of the frenzy in investment banking which Drexel had set off was the battle for RJR Nabisco, the food and tobacco conglomerate and one of America's most venerable companies. Wall Street went to war, with almost every force in mergers and acquisitions fighting shamelessly for a share of advisory and financing fees.

After all the bidding, KKR bought RJR for $25bn with a huge slice of junk bond financing from Drexel. For a time, RJR looked comfortable in paying off the enormous debt taken on to win control but, last month, doubt was cast on even this apparently solid deal when Standard & Poor's, the credit rating agency, downgraded some of its bonds.

It was only the latest slippage in a junk heap which had begun to look alarmingly unsafe. Throughout the 1980s, there were defaults as companies bought with piles of debt found they couldn't make their interest payments. As the decade drew to a close, more and more companies were struggling.

Robert Campeau, the Canadian real estate developer, who vaingloriously founded a US retail empire on a dream and junk debt backed by First Boston, saw his feifdom unravel under the weight of interest payments. A number of the aspiring companies created by Drexel went under and the junk bond market, which Milken had so successfully supported (acting as junk bond buyer of last resort to foster confidence) went under.

In an attempt to save the company, Drexel decided to plead guilty to the charges laid against it and to settle with the Securities and Exchange Commission, the federal financial regulator. Its business then shrank as many states and companies refused to deal with the company. Milken's resignation after his indictment further eroded confidence, but the collapse of the junk bond market over the last six months was the final death blow.

When the crisis came, regulators did not lift a finger to help. This was controversial but not surprising. Many on Wall Street believe that Drexel was bullied out of business by a disapproving SEC and by Rudolph Guiliani, the publicity-conscious US attorney in Manhattan. He broke Drexel's will by threatening it with a racketeering charge under the draconian Racketeering Influenced and Corrupt Organizations Act, designed originally to fight the Mafia, but now discredited because of the widespread practice of seizing a firm's assets even before trial.

The judgment of historians will depend on whether they believe Drexel's assault on lackadaisical managements helped create a slimmer, more competitive corporate America, or whether it damaged the economy by shifting managements' focus from producing goods to a short-term obsession with balance sheets and payouts.

Now Wall Street is on the defensive after the years of over-reach. Thousands of jobs have been lost in the last few months with many more to go.Some of the most famous figures of the 1980s are out. Peter Cohen, chief executive of Shearson Lehman Hutton, a conservative investment bank, drove his company's finances into the ground after catching the Milken fever. He recently resigned under pressure.

Henry Kravis, the triumphant victor in the battle for RJR Nabisco, was recently given a icy reception by junk bond fund managers at a conference in Phoenix, Arizona, when he inferred that they were "wimps" to have sold their junk bonds in recent months.

The mood has turned. *New York* magazine recently told the story of the fur-coated corporate raider who walked into the crowded Village Cheese Shop in Southampton, a Long Island seaside town much frequented by investment bankers in the 1980s.

Standing at the end of a long queue, he lost patience and shouted: "I'll give $10 to anyone who'll give me his place in the line." Mistaking the contemptuous stares of other customers for a challenge, he upped his bid to $20.

Finally, a distinguished man turned around and said quietly: "Sir, this may come as a surprise, but there are people in this store with less time and more money than you."

Drexel was embroiled in fresh controversy last week when it emerged that it had paid an estimated $350m in bonuses to its staff in the weeks before it filed for bankruptcy. Furious creditors, who feel that the pool of money available to pay them may have been diminished, called on the judge presiding over Drexel's bankruptcy to look into the matter. A hearing is set for March 1. Drexel has always been known for paying out large performance-related bonuses, a major plank of Frederick Joseph's management strategy. Milken, through his own investments and his pay and bonuses from Drexel, is thought to have become a dollar billionaire by 1986.

Making a mint in Wangara

GOLD-DIGGERS of 1990 might consider a trip to the land of Wangara, a land without beasts of burden, situated on a river about 20 days' journey from the Ghanaian entrepot. But the Queen's Remembrancer issued a health warning. The people there are excitable, their archers excellent and their arrows poisoned.

These gems of information emerged at the recent Trial of the Pyx, one of London's more curious ceremonies. At the Ironmonger's Hall a grey-suited jury of 21 men and one woman sat along benches behind copper bowls and weighing machines, ready to "ascertain that the coins made by the Royal Mint are of the proper weight, diameter and composition required by law."

This trial, presided over by the Queen's Remembrancer, has been carried out annually since 1282 in response to a direction issued by the Treasury. The jury, made up of Freemen of the Goldsmiths' Company, tests samples of the gold, silver and cupro-nickel coinage of the realm.

Alerting the jury to their responsiblities, The Queen's Remembrancer told the jury, the Deputy Master of the Royal Mint, and the Director of the National Weights and Measures Laboratory of the Department of Trade and Industry, that no gold coins were struck between the reigns of King Offa in the eight century and Edward III in the 14th, although Offa apparently "struck handsome dinars from Welsh gold."

But back to Wangara, where the inhabitants went naked and the women wore lip discs. The Queen's Remembrancer said that this mysterious place was long the source of the overland gold which came to Britain, enabling issues of gold coins to increase.

Today the Royal Mint strikes coins from many metals and alloys "constrained as regards materials only by the requirements of law, suitability of purpose and preference of the customer."

As to the coinage in circulation today, John Major, Master of the Mint (and Chancellor of the Exchequer) will have to wait until April for the verdict of the jury. But anyone else who is interested need only look in the *London Gazette*, where the verdict will duly appear.

Emma Tucker

FOOD & WINE/GARDENING

Boulogne's bounty from ship to shore

Nicholas Lander in the 'fishing capital of Europe'

BOULOGNE, more usually associated with the beginning or end of a good holiday in France, has become the fishing capital of Europe. Leave the ferry, turn sharp right and you are in the heart of the fishing area, home to Boulogne's fleet of 230 fishing boats. Here, 200 companies generate employment for 8,000 and account for 50 per cent of its economic activity.

Last year 72,000 tons of fish were landed at Boulogne. Most were sold through a unique auction more like Wall Street than a food market.

Boulogne's fish auction is the *only one in Europe* where the fish are not on show. The fish are sold by six auctioneers, simultaneously, and only the numbers and catch of the boats are listed on the blackboards behind them. Prices are in old French francs (apparently it is easier than having to deal with centimes) although the sale is written down in new francs. As each lot is sold it is handed over on the quay to the new owner. This system sells 800 tons of fish an hour, most of it in lots as small as 50lbs.

As "fishing capital," Boulogne now handles more than three times the weight of fish *than is landed by its own* boats. It is ideally situated between *those countries to the* north with large fishing fleets but small domestic markets – Iceland, Norway and Scotland – and the main fish-eating markets around the Mediterranean – Spain, Italy and the South of France.

Visit the quay and you can see monkfish, scallops or langoustines from Scotland on their way south; sea bass, sardines and scad from Lorient on the west coast, oysters and abalone from Brittany for the domestic market; and from the south of France, bouillabaisse mix from Sete and tuna and royal bream from St Jean de Luz near Spain which come across the Channel to England.

Boulogne however, faces many of the same difficulties *as other fishing ports, in* particular, quotas imposed by the EC to maintain fish stocks. The changing environment is also having an effect. The 1990s could see a better future for those selling fish from cleaner waters. Already fish from Cornish and Scottish waters are fetching higher prices than those from the more polluted Irish and North Seas.

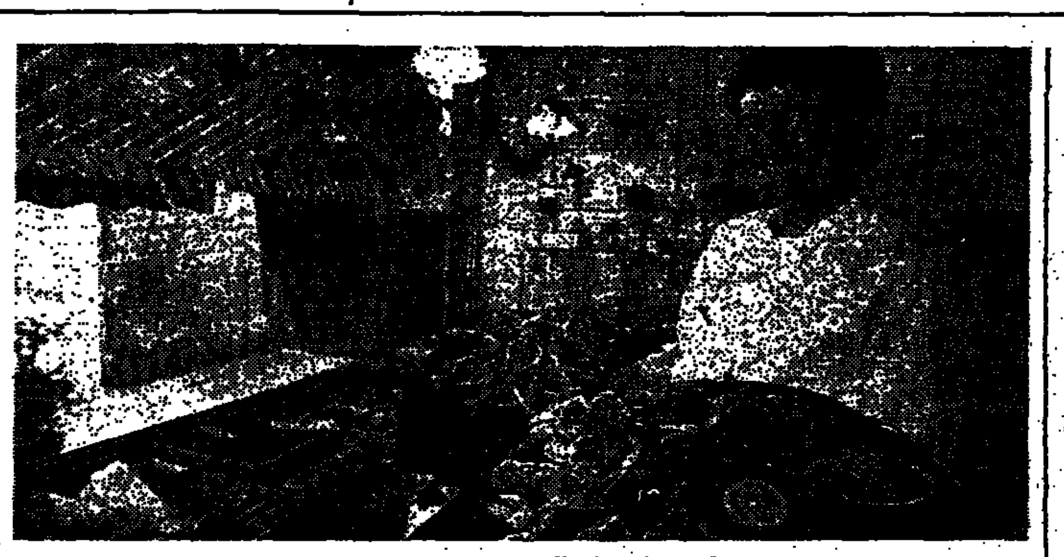
There is also concern about the warming of the sea. Last year alone the temperature of the water in the Channel rose 4 °C, forcing many fish, particu*larly sea bass, to swim further* north and out of reach of the coastal fishing boats.

The response to these developments has been to invest considerably in maintaining the freshness of the fish in the refrigerated lorries which deliver it as far as Madrid and Lyon and to add value by selling filleted rather than whole fish.

Many of the boats now go to sea with small fish storage boxes and plenty of ice – each day a factory on Boulogne's quay produces 400 tons of a special quality ice which will protect but not bruise the catch.

Around the quay there are small factories producing lightly smoked halibut, had*dock and herring, and filleting* salmon, sole and turbot.

In the heart of the fish market is Le Chatillon, open from 5am and acting as the market's canteen. Here one can still see the older workman having what he considers his birthright for breakfast: a packet of Gauloises, coffee and a cognac. Lunch is a Boulogne speciality: herring fillets served with diced boiled potato, onions and olive oil for Ffr19 and an extremely fresh fillet of cod with a mustard sauce for Ffr39.



A feast from the ocean: Boulogne has some excellent restaurants

In the city itself, the cooking is never poor but never exceptional either. La Liegeoise (tel 31.61.15) just by the theatre tries hard – too hard with the decor – and is certainly not as good value as the more basic Cafe Alfred (tel 31.58.16) in the Place Dalton which offers a good fish soup, skate with *black butter and dessert for* Ffr110.

My two favourites, however, are La Matelote (tel 30.17.97) on *the road to the beach and Chez* Zizine (tel 31.43.24) just behind the Post Office. In humble surroundings and with walls covered in fishing memorabilia, Zizine serves the most wonderful poached turbot with hollandaise sauce for Ffr110. There is no detraction from the magnificent fish or the excellent sauce, other than a solitary potato and a single carrot, but the portion is twice as large as you would be served in Paris or London.

Twenty minutes to the south brings you to the fishing village of Etaples. While most boats now land their catch in Boulogne, the efficient co-operative at Etaples supplies three fish stalls bulging with fish. It also provides the fish at Les Pecheurs d'Etaples (tel 94.06.90), – an airy first floor restaurant on the quayside *where you can eat and* watch small fishing boats.

Five minutes out of Etaples to the west is the still very English resort of Le Touquet. While Le Cafe des Arts (tel 05.21.55) and Flavio (tel 05.10.22) offer the more serious food, Cafe Les Sports (tel 05.05.22) is a good brasserie. In spite of the garish decor and a wine list packed with spelling mistakes the food is very good, particularly the sweetbreads, and the service rapid. About Ffr150 for three courses.

The most personable hotel in Boulogne is Le Metropole (tel 31.54.30), approx Ffr250 per night. It is right in the centre and, although noisy, has the great advantage of being only *two* doors away from the famous cheese shop Philippe Olivier in the rue Thiers. But the best news for anyone interested *in this area* and the fish and good food it has to offer is the reopening in early March of the Chateau de Montreuil (tel 81.53.04) *in Montreuil-sur-*Mer, about 30 minutes from Boulogne. Run by Christian Germain and his English wife Lindsay a double room will cost approx Ffr500, an extremely good dinner around Ffr400 per head.

Cookery

A bird in the pot . . .

THE SEASON *for* partridge and pheasant is over but some of the smaller birds I enjoy eating most are still on sale. Pigeon, dark fleshed and gamey, are a favourite of mine and so are quail with their ten*der and delicate meatiness.*

Pigeon are classified not as game but as pests, quite rightly since they plunder the *crops of farmer and gardener* so ruthlessly that they could be classified as nature's lager louts. Pigeon do not throw stones through pub windows, but the perverse pleasure they take in biting off the heads of soft-petalled flowers is decidedly anti-social.

Quail have no such nasty habits. The absence of a closed season for them is due to the fact that those we eat are farmed, not wild. Part of the beauty of quail, from the cook's point of view, is that these little birds are so quick to cook and unusually succulent. Small mouthfuls they *may be but there is a lot to* be said for birds that spare one from having to do battle with the carving knife; and with a quail's *leg, unlike a pheasant's,* the diner is never faced with the prospect of more sinew than flesh.

Some of the simplest and best ways to cook quail emphasise their juiciness. After a brief browning in butter, they can be half-buried, breast down, in – *for example* – a selection of braised wild mush*rooms.* At this time of year I use cultivated mushrooms instead with a few vine leaves for extra savour, wrapping the little birds in the leaves after browning, then leaving them to finish cooking gently in a closed pot with a mound of sliced and lightly sauteed cap mushrooms heaped over them.

Quail make a tender, low-fat, fowl contribution to grain dishes such as paella and couscous. They are also excellent marinated in olive oil with *fresh sage or oregano and* thyme, then skewered and grilled or spit-roasted over wedges of polenta to catch the flavoursome drippings. Serve with quartered lemons or a fresh tomato sauce.

Whereas quail are naturally tender and succulent, wild pigeon tend to be dry and tough little birds. It used to be *said that slow and moist* cooking methods were essential to enjoy pigeon to the full, and it is true that they make admirable dishes for cold weather eating when treated this way. Think of suet crust puddings brimful with pigeon, rump steak and mushrooms bathed in dark gravy. Think of gutsy stews packed with pigeon, *plum tomatoes*, black olives, saffron, fennel and garlic. Think of fragrant variations on classic cassoulet richly padded with spiced sausages, pigeon and serpolet. Only *squab* – those scarce, expensively plump and tender juveniles reared especially for the table – could be roasted, grilled and sauteed. Or so I believed. Now I have learned that middle aged, common or garden wood pigeon fresh from the wild can also be cooked by these methods very successfully.

The important thing is to take courage in both hands and to remember that if the meat is briefly seared then left to rest *for a while the* flesh will be as tender as if it had been gently cooked for hours – but such quick cooking will leave the meat more juicy *and still* pink in the centre, rather like a steak. It is halfway measures that are fatal: cook pigeon neither rapidly nor for moist and gentle hours and you end up with shoe leather on the plate.

Pigeon breasts are particularly suitable for sauteeing and are easily prepared at home. Simply peel back the breast skin, *cut* and lift the meat clean away from the bone, then remove the tendons to prevent the meat from curling during cooking.

Exactly how long the breasts will take to cook depends on how many you are cooking at once, the size of your pan, its material, the heat of the flame, and so on, but using a non-stick saute pan that has been placed over low heat until fairly hot then filmed with a smidgeon of butter, I always allow one minute on each side initially to seal the breasts (cooking them smooth skin side down first). After that, I suggest a further one *to two* minutes in total depending on whether you want saignant or rosy pink results. Turn the pigeon during this time to encourage even cooking. Then let the breasts rest in a low oven for five to 10 minutes, where they will go on cooking a little without toughening, before slicing and saucing *them for serving.*

The finishing touches can be many. I am particularly fond of pigeon breasts laid on a bed of green lentils that have been cooked with a soupçon of garlic and orange zest, the meat simply moistened with the deglazed pan juices. Pigeon breast steaks are also excellent coated with crushed green pep*percorns, and cloaked with* a splash of soured cream sauce; or garnished with sliced kumquats and black olives warmed through *in* the pan juices together with a ladle of concentrated pigeon stock and a spoonful of brandy; or served with plumped-up prunes and the deliciously rich Vouvray cream sauce which is traditionally *served with noisettes of* pork in Tours.

Philippa Davenport

Wine

What price the '89 clarets?

ALL OVER the Gironde, growers are making the *assemblage* (sometimes called the *égalisage*) of their wines, by which they will determine the blend of the last crop that will carry their *château* label – the *grand vin.* And these days many will be making a further blend to sell under the name and label of their second wine.

This operation involves the most difficult decisions a gower has to make in the year, for while the decision when to pick his grapes is crucial at least it is done openly in the company of his neighbours, while the selection of the best vats and the proportion to include of each of the three or four grape varieties from his vineyard is made in the isolation of his cellars.

It is also a time of considerable financial importance, with the tempation to add as much to the *grand vin* as possible balanced by the need to maintain the property's reputation – and successfully to sell the wine. In the no more than moderate 1987, Paul Pontallier at Ch. Margaux selected only 40 per cent of the crop for the *grand vin*, sold as Ch. Margaux, 40 per cent as the second wine, Pavillon Rouge, and declassified the rest, while Bruno Prats at Cos d'Estournel reserved only 50 per cent for the château wine and sold the other 50 per cent as plain St. Estèphe. These leading estates can afford this rigorous selection, *but the crunch must* come lower down the less affluent segments of Bordeaux's extensive *vignoble.*

Accordingly, in a few weeks, informed reports on the quality of the 1989 clarets will be appearing, to be followed over the succeeding month or two by the opening prices at which the châteaux will offer the first *tranche* of their latest wine.

It looks likely that there will be a problem this year: it is clear that 1989 was at least a successful and possibly a great, large vintage but the level of prices is more uncertain than usual. Prices always produce arguments and sometimes controversy, particularly at the higher levels, where it is as much a matter of prestige as of profit.

Fortunately the days are over when the neighbouring Rothschilds at *Lafite* and *Mouton* endeavoured to back-stage each other as to who should come out at the higher price. When, in order to discourage this absurd competition, Baron Philippe de Rothschild severely cut his opening price of the esteemed 1970 to FFr36,000 a *tonneau* (then 96 doz. bottles) and then Lafite came out at FFr59,000, the Baron brought *out his second tranche at* FFr65,000 – having taken the prior precaution of obliging all who had had the opportunity to buy at the first price to take up the second.

Today this rivalry is more obviously confined to the most sought-after second growths, but at all levels no-one wants to sell his wine for a centime less than his neighbour.

It is not yet clear how much more expensive the 1989 clarets are going to be *en primeur* than the 1988s, which although more expensive than the 1987s and broadly at the same prices as the 1986s, were cheaper than the 1985s. Indeed, the first-growths at FFr180 a bottle were often only a mere FFr10 more than the 1982s. The 1985 first-growths varied between FFr225 (Cheval-Blanc) and FFr200 (Lafite, Margaux and *Mouton-Rothschild).*

In opening offers in the UK they were listed as between about £400 and £550 a dozen, plus duty and VAT. The 1988 first-growths were around £350 a dozen, the leading seconds £150-£200, the lesser classed-growths £115-£150 and the *crus bourgeois* £45-£65.

The prices of the 1989s are likely to rise at all levels, but *how much in percentage* terms? The firsts probably more than most, because of a perception that particularly from the US, they first offered their 1988s at lower prices than their quality justified; and this was confirmed by their rapid increase. By the autumn Margaux and Mouton were selling for Ffr 300 a bottle on the Bordeaux *market,* while the top seconds such as Pichon-Lalande and Ducru-Beaucaillou that had opened at Ffr 110 were priced at *Ffr 140.* (A rough-and-ready guide to the UK retail prices of wines quoted in francs-per-bottle is to double the francs price and divide by the current sterling-franc exchange rate).

In Bordeaux the talk has been for a 20 per cent increase or a little more for the first-growths: FFr 220 a bottle; and *generally a level back to* the prices of the 1985s, but by the 1988 vintage most red Bordeaux was already almost back to that level. So we might expect a 20 per cent increase on the classed growths, and a 10 to 15 per cent on the *crus bourgeois* and *petits châteaux.* This would put the ex-château opening price of growths like Pichon-Lalande, Palmer and *Figeac in the Ffr* 120-130 bracket, the next group Ffr 90-100, followed by a broad band at Ffr 70-80.

However, it should not be forgotten throughout the Gironde that there have been three good, widely bought and big-to-record vintages in the last four. Also the Bordeaux *négociants* will be aware that the exchange rates of two of their most important *en primeur* customers abroad, the US and UK, are less favourably placed than they were to buy the 1988s last summer, and much less so than in 1983, when the excellent, highly-publicised 1982s caused the last investment/speculation boom and rapidly rising prices, especially in the US. No-one doubts the amount of publicity already enveloping the 1989s, but will the Americans indulge *in large-scale investment with* the franc probably at around 5.7 instead of 7.5 to 8 to the dollar?

Nevertheless the *en primeur* market for all fine French wines with an international reputation has increased considerably in the last few years, and there are no currency problems for the Germans, the Swiss – or the Japanese. The domestic demand within France has grown sharply too.

What we will pay in the UK will depend to some extent on *the margins expected* by the Bordeaux merchants. For the 1982s and the 1985s they were large, for the 1986s and 1988s more moderate, for there was then more of a buyer's market. Whatever the overall percentage increases at source they should not be fully reflected in opening offer prices, since freight and duty should not have increased proportionally by the time the wines are mostly shipped in 1992. Nevertheless it would be unrealistic *not to expect some increase in* prices, although there is a tendency in the UK to feel that while *we* have inflation, *they* are greedy. Yet *their* costs rise too, and with a degree of inflation as well, if notably less than the UK.

Therefore, subject to satisfactory reports, we should surely represent in our cellars or merchants' customers' reserves the 1989 clarets, although as a source of fairly short-term profit they seem doubtful in the present state of the market, for there have been so many excellent claret *vintages* recently and prices in the auction rooms are stable rather than sparkling.

Edmund Penning-Rowsell

Don't be misled by the Green machine

Robin Lane Fox intends to spray and poison

A NEW MENACE has been creeping into my gardening consciousness. It is not in-bred whitefly, an unstoppable geranium called Thurstonianum (which I bought, unwisely, in Gloucestershire) or even the mild, deceptive winters: it is the Green movement. Gardening shows up contradictions in the ways in which extreme Greens go about their business.

I will begin anecdotally. This spring, I am planning the usual major improvements, the results of which ought to be a safe haven for yet more members of the world's desirable flora – roses, violets, penstemons and so forth. My aims are pink-white in colour, with dashes of pale *blue and a firm green framework.*

To realise them, I need to eradicate, clean and improve. My aim is to replace the far end of a decaying lawn, clean out some rough couch grass and bring order, perhaps even beauty, to a bank which nature has turned into an awful mess.

There is an obvious way to do it: spray, rotavate, fertilise, and spray with a spot-weeding treatment throughout the summer. My objectives are Green but my methods certainly are not. If I succeed, I will multiply the habitats of local ladybirds and give the robins the time of their aggressive little lives. But first, I will spray and poison furiously.

Perhaps I would not spray if there was a serious "green" alternative or a sound Green reason why I should not. So far, I have had two crushingly stupid counter-proposals. The first is that I should cover the area of this potential garden with bits of second-hand carpet and "wait until the weeds die naturally underneath." Admittedly, there is a glut in the carpet trade, but even a year's life under my old stair carpet will not kill the roots of ground elder. The second proposal is that I should read the *Green Consumer Guide* and stop being such an enemy of the planet.

The *Guide* (written by experts, foreword by Anita Roddick) is singularly feeble about gardening. It gives addresses that might be helpful for worm technology: here are its views on clearing the ground. "First, 'weeds' . . . [I *mistrust those single* quotation marks: they are putting a brave face on nettles]: "Hand-weeding, hoeing and mulching are the organic answers to weeds."

They are not, because I never killed couch grass, not even by the most pains-

James Ferguson

taking hand-weeding, until I discovered the joys of modern glyphosate. Thanks to Tumbleweed, I can grow planet-friendly roses (single, non-hybrid forms) in the rough grass of an English wild garden and allow them to compete with beastly, hostile, throttling nature. "Mother" nature is apparent on the modern model: it is her instinct to throttle her own best *children.* We need a campaign against self-abuse in nature: how do Greens cope with the war among the green-stuffs they are trying to "conserve?"

There is not a shred of serious evidence that glyphosate damages anything except grassy weeds. It does not linger in the soil; indeed, you can plant in *it a few hours* after use. It is a safe chemical so long as you do not go wild and drink it or handle it without gloves and fail to wash. It does not *evaporate in the ozone layer or destroy* visiting field mice, and it acts through the leaves of unwanted plants. It does, however, have one little peculiarity: last year, it was about 20 per cent cheaper in Woolworths than in most garden centres.

This month, I am wanting to start work early, before the grass is growing and ready for Tumbleweed. Instead, I have been using Dalapon. It is best when used before the leaves arrive on trees or shrubs and it will knock out grass with supreme *ease and contempt. Atlas Chemicals sells* Herbon Dalapon to gardeners; owners of bigger gardens will buy in bulk from their local farm chemical supplier, the cheaper alternative to garden stores where poisons are packed into dinky little containers of this and that and sold with coloured labels.

According to the *Green Guide,* Dalapon is a non-starter. It is prone to the "spray-drift *problem*" (Greenspeak) and is a potential "irritant to skin and eyes." Greens must be awfully incompetent sprayers.

Any sane gardener chooses a calm afternoon, balmy and asking for poison, like the golden hours last Sunday. It is easy to spray close to the ground by using the *nozzle of a Killaspray at a range of about* three inches, so that spray-drift does not take place.

As for the skin and eyes, the non-Green *answer here is to cover them up. My old* riding gloves end up as spray-gloves in later life, or else I use the kitchen's pair of rubber gloves if my wife does not happen *to be looking. Dalapon's "dangers"* are merely the dangers of mad abuse.

Why should we all be ungrateful? It is thanks to the skill, responsibility and market *sense of the world's chemical trade* that gardeners can garden more easily and grow something better than thistles and dandelions. Instead, the guiding Greens tell us to "use *natural mulching materials* which will bio-degrade when their useful life is over."

Again, they beg the question. Of course, we *all like* to mulch bare earth in order to prevent a re-growth of weeds: composting, manuring and mulching are gardeners' basic skills. But it is absolutely pointless to mulch infested ground. Perennial weeds have to be killed first. It upsets me to think that innocent gardeners, starting out hopefully on the love of a lifetime, will try to blanket their *dandelions* in *bio-*degradable tea leaves, expecting them to self-destruct.

"The first step is to get rid of the chemicals you already have . . . be extremely careful how you get rid of them . . . check whether your local council has a hazardous waste collection service . . . most haven't . . . write to your MP." This very Saturday morning, all over the marginals, MPs may be wondering how to cope with *the nation's bottles of Tumblemoth. My* first step is to use it gratefully on horrible weeds and make way for new, green occupants that are only too glad to have some clean ground.

Long before the Greens, there was an old and tedious argument between organic and inorganic gardening. The answer was that gardeners needed a bit of both, rotted manure but also Phostrogen, compost but also weed-killing. What do the Greens do with their paths, drives and the parking spaces for their wind-propelled tricycles? There are areas of the inhabited world where I would be jubilant if nothing ever grew again: my gutters and gravel areas are one of them, and so I use Super Weedex when I run out of sodium chlorate. By all means save the planet, but please remember that the planet *is at war* with itself.

My aims, I repeat, are emerald green but my methods are realistic. Do you really *believe that you can control the slugs in* your garden by hollowing out your breakfast grapefruit, filling it with beer and putting it in the garden "expecting to find *a skinful of inebriated and/or* drowned slugs and snails in the morning?" For two weeks, 12 years ago, I tried hollowing the grapefruits: I caught 36 slugs and saw a bed of young alpines chewed to pieces by their teetotal companions.

I remember writing fondly here of the old Cory's Slug Death in its yellow tins. *The testimonials of Indian colonels,* who understood grapefruit, were printed on the back: "In one night, my houseboy collected over 10,000 dead snails and slugs in buck*ets below the verandah . . ." Cory's* has been withdrawn nowadays, but Murphy's Slugit still contains the vital ingredient. It does the work of 50 grapefruit.

Green gardening is said to have three ground rules: "Stop using chemicals" and "make sure your soil is properly looked-after" and "encourage natural life, not just *the obvious birds and bees* but all the millions of insects." Owners of couch grass, greenfly, slugs and pullulating bindweed will wish them the best of luck.

The manifesto begs all the questions and is a bundle of misleading half-truths. Keep a compost heap, by all means, but do not fall for "purely organic gardening" if you wish to do justice to the plants you love.

What's in a name? Just pick your own

WHEN WRITING recently about camellias, I said that J. C. Williams, who raised a new *race of hybrids after the First* World War, named an outstandingly lovely variety after himself. One of his grandsons, Robert Williams, has written to tell me *this* is only partly correct. The variety *is* called J. C. Williams and it *was* raised by his grandfather – but he did not name it. In fact, none of the seedling camellias he raised in this particular breeding programme was named during his lifetime and they remained little-known for many years. It was not until 1946, seven years after his death, that his son, Charles, exhibited one of them at the Truro flower show in Cornwall, cutting the top two-thirds of a young bush in full flower *for* the purpose.

Over the next few years, the best of the seedlings were given names. It was then that *one was called J. C. Williams and* another Mary Christian, after his wife. Robert Williams also tells me that it was the Lord Aberconway of the day who *suggested that the whole* group of hybrids between Camellia japonica and C. saluenensis should be called Camellia williamsii.

I am glad to have this information, not only because it is interesting in itself but also because it enables me to draw attention to some important differences between the rules that apply to the naming of garden varieties (which experts call cultivars) and those governing the naming of species as they have developed in the *wild.*

Anyone can name a cultivar provided it is genuinely distinct from any other of its kind and has not been given a name already. They need not have raised the variety, nor even have discovered or introduced it, and it is not essential that there should be a comprehensive description of *it, or a picture, or a dried specimen.*

It is not even necessary that the variety should have any real merit and, in fact, vast numbers of cultivars have been named without any good reason except the very human tendency to regard all your own geese as swans. Once a variety has been given a name, it cannot be changed; nor can this name be used for another cultivar belonging to the same genus.

It is totally different with botanical names, which must be accompanied by a detailed description in Latin (chosen because it is regarded as a universal language) plus a herbarium specimen to which reference can be made if the description proves insufficient. The botani*cal name can be changed* if new information proves that the original name was misleading, perhaps placing the plant in the wrong evolutionary relationship or being applied to material that is considered later to be too diverse to be confined within a single species.

It is largely because these are matters that can be difficult to establish, and often are a matter of opinion, that botanical names are in a constant state of flux and may differ from one country or one school of botanists to another. This, of course, can make botanical names awkward for gardeners if they try to follow them too closely.

To a botanist, no botanical name is complete without an authority; an identification of the person who applied that name *to that* particular plant and supplied the description. The race of hybrids which J. C. Williams helped to create, and which has been given botanical status, will be found in a botanical reference book named Camellia x williamsii W. W. Sm. There will be no mention of Lord Aberconway who, Robert Williams says, was the first to suggest this name (presumably because he did not actually supply the botanical description). This was done by W. W. Sm. (Smith, I assume, but I do not know. Nor do I need to know unless I have to refer to his original description and dried specimen to check some point in dispute).

There is no such sure reference when disputes arise about garden varieties. This lack can make the identification of old varieties exceedingly difficult, probably sometimes impossible with any great degree of certainty. It is ironic that garden names are given mainly to plants which are expected to exhibit a much greater degree of uniformity than are species, and yet are accompanied by much less-detailed descriptions – sometimes carried verbally from generation to generation of gardeners.

Conservationists should regard improving records as a matter of some urgency, since the old gardeners are dying out like the old plants and irreplaceable memories are going with them. Today, we have the ability to store these memories electronically with speed and accuracy in very little space.

Arthur Hellyer

HOW TO SPEND IT

A return to Victorian values

*There's no style like the old style: **Lucia van der Post** welcomes a repro revival*

REPRO used to be a term of dire denigration. These days repro's fine in almost any circles. This volte-face has partly been brought about by sheer necessity, for as the supply of genuine antique pieces has dwindled so the number of people with the taste and the pocket to appreciate them has grown enormously.

Partly it is the mood of the time. Didacticism is out. The moral overtones that used to accompany judgments from design experts on the superior virtues of the new and the modern as opposed to the inferior qualities of "repro" seem to have disappeared — aesthetic judgments may still be made, but at least morality is left out of it.

A favourite ancient motif, the serpent, revived by Vivienne Becker in a brooch, £150

Just as some furniture makers are producing fine and beautiful pieces in traditional styles, so there are also jewellers aiming to make jewellery in the mood and styles of times gone by. "Repro" jewellery could hardly have a better proponent than Vivienne Becker, whose credentials as a chronicler of the history of jewellery matters are impeccable. In fact it was her researches into the subject that lead her to want others to see the beautiful pieces that she came upon.

"Antique dealers would show me all these wonderful pieces and then put them back in drawers, from where they would eventually go to a collector. I wanted to share these pieces with others and I thought that if I considered them beautiful, there must be a market of other people who would think them beautiful, too. So persuaded a manufacturer to help me produce a collection of jewellery that looks just like the real thing, and although each piece isn't entirely hand-made, it is hand-finished."

The result is a company called Classic Revivals which has produced a first collection based on the high Victorian look, itself inspired by ancient jewellery from the Greek, Roman and Etruscan eras. Called the Victorian Collection, it comprises some 20 pieces ranging from a snake-pin at £60 to the laurel leaf necklace photographed here which sells at about £1,600, although there is lots to choose from between £150 and £250.

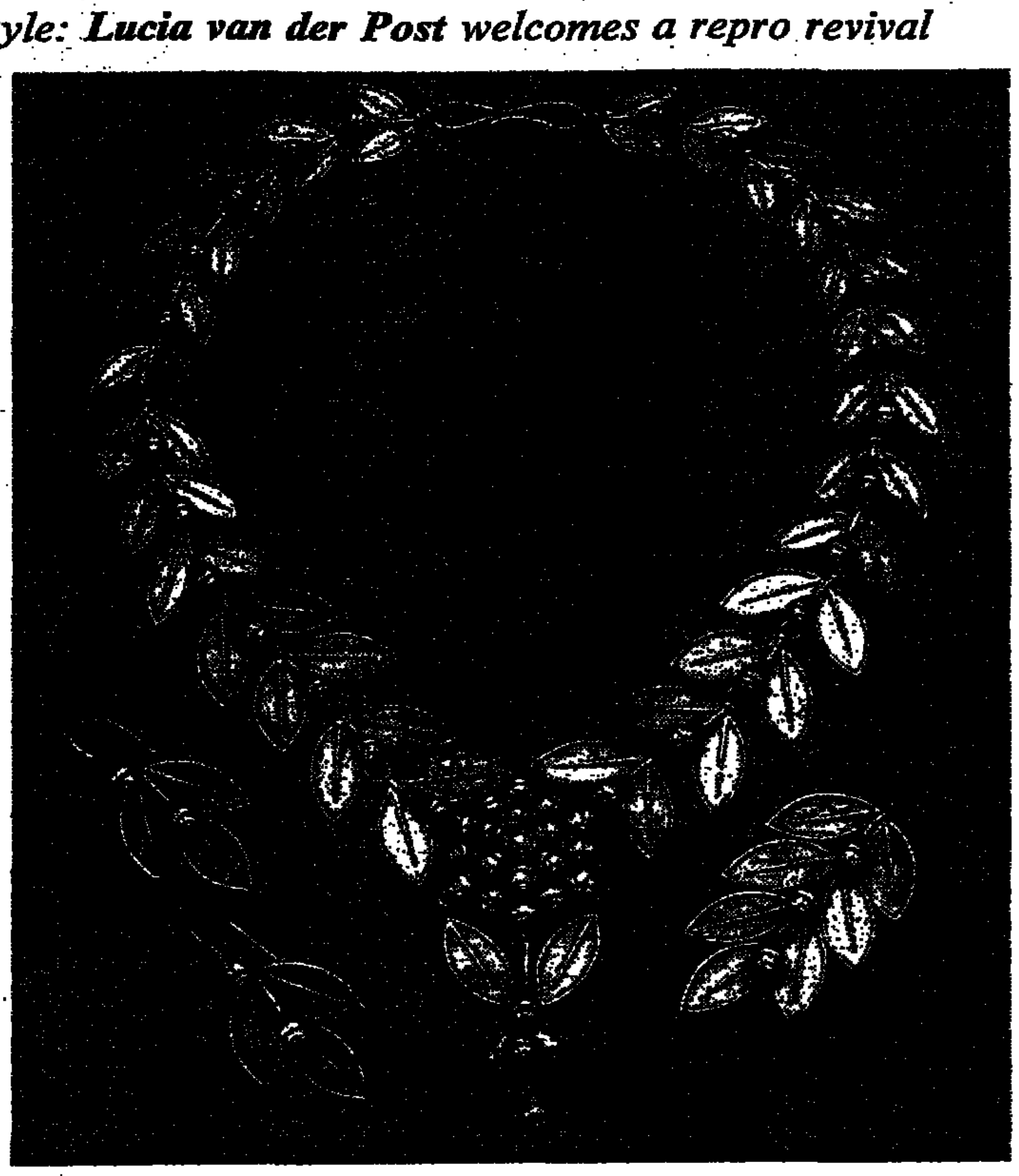
All the pieces are made of silver heavily plated with 18 carat gold. Where gemstones are used they are set with black onyx, cornelian or with quality crystal. The laurel leaf necklace is part of a set which includes a brooch and ear-rings and was inspired by a design of the Italian-born Carlo Giuliano, one of the most famous and fashionable art jewellers of the 1860s.

The serpent, always a favourite motif for the Egyptians, Greeks and Romans for whom it was the symbol of the guardian spirit, of femininity and eternity, is much in evidence in this first collection and can be seen in the bracelet photographed left (£450.)

All the pieces come packed in dainty velvet-lined boxes ("I wanted to revive the fun of buying jewellery," says Vivienne Becker) with a short booklet giving the history and symbolism of the items.

The collection could well appeal to those looking for something with more substance than costume jewellery but costing less than proper *haut jouaillerie.*

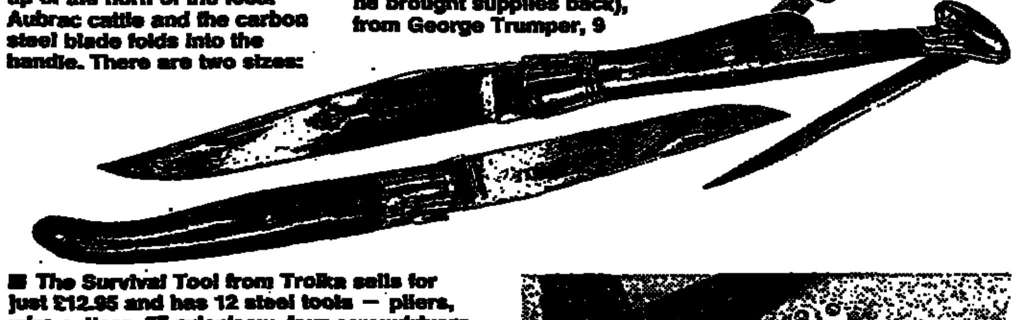
At the moment the collection can be seen and bought at Mappin & Webb, Selfridges of Oxford Street, London W1, Dickens & Jones of Regent Street, London W1 and Hancocks of Manchester. From March 7 it will also be in Harrods.



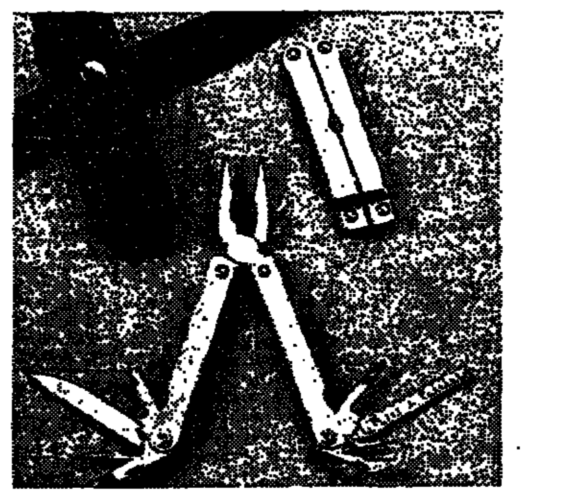
Based on a design by the art jeweller of the 1860s, Carlo Giuliano, a "suite" of earrings, necklace and brooch on a laurel leaf theme in 18 carat gold-plated silver. The necklace is £1,650, brooch £200, earrings £200

■ Emma Bridgewater — who made her mark with her Spongeware, sturdy, simple, 18th century-inspired ceramic pieces decorated using the sponge technique — has introduced a range of simple but appealing glassware, once again based on 18th century design traditions. Made from finest lead crystal, the Bridgewater glass consists of a small wine glass, large wine glass, large tumbler, small tumbler, vase, decanter, candlestick and 12 in plate. All have that indefinable quality that makes them look at home in any company. A large wine glass is £19.30, a large tumbler, £13.50. I prefer them plain but they are available engraved with vine leaves. Find them at Harvey Nichols, Thomas Goode & Co, 19 South Audley Street, Grosvenor Square, W1 and the General Trading Company, 144, Sloane Street, SW1

■ Now that almost everybody has a Swiss Army Knife, THE fashionable knife to have these days is the Auvergne Shepherd's Knife, or as we Francophiles like to call it, "Le Couteau Laguiole." This is not just any old pen knife, it is a thing of beauty, too. The handle is made from the tip of the horn of the local Aubrac cattle and the carbon steel blade folds into the handle. There are two sizes: the smaller, 9 cms, is a single blade and sells for £27; the three-piece model is 11 cms long, has a blade, a corkscrew and a hoof-pick attachment. It sells for £46. Buy them from Max Pike's Bathroom shop (Max Pike saw them in France and was so impressed with them that he brought supplies back), from George Trumper, 9 Curzon Street, London W1, from Farloes, 5 Pall Mall, London SW1 and from Roxton Sporting, Hungerford, Cirencester and Edinburgh. For other stockists ring 01-408-0363.



■ The Survival Tool from Troika sells for just £12.95 and has 12 steel tools — pliers, wire cutters, 8" ruler/saw, four screwdrivers, file, awl/punch, can/bottle opener, and a sharp 2½ in blade. It is very streamlined, is only 4 in long and weighs just 5 oz. Find it at Troika shops, in particular at 62, New Kings Road, London SW6 or by mail from Troika, Stratford-upon-Avon CV37 OHU.



Drawings: JAMES FERGUSON

■ Every glossy interior these days seem to sport a collection of shaded candles. While many shops sell a selection of shades, few offer the full range that Acres Farm produces. To see the range you should write to Acres Farm at Bradfield, Berks RG7 6JH Tel 0734-744305 for a catalogue. They come small or large, plain, scalloped, pleated or cooolie style. Acres Farm also sells clip-on shade carriers and its brochure gives advice on which candles to use. Besides the shades in a range of colours and patterns, Acres Farm also sells candlesticks — wood, in various finishes, brass, black resin and white china — wall sconces and a plate and candle bracket. Acres Farm will tell you your nearest stockist or sell them direct.

The pure essence of life, distilled

*How can we improve the quality of our drinking water? **Della Bradshaw** investigates*

THE LADIES of Cheltenham are following in the footsteps of their grandparents in the search for a cleaner cup of Adam's ale. Each day many of them turn their backs on their taps and visit the Pittville pump room in order to fill empty bottles with spa water.

Ever-increasing numbers of people are now willing to spend good money for what once came free: clean, healthy water. But with the image of bottled beverages dented by the temporary withdrawal of Perrier, and with the UK's mains tap water being increasingly spurned by health-conscious households, the search for the palatable potable has focused on filtration systems.

Water filters can cost anything from £10, which gets you a simple filter through which water drips into a plastic jug, to hundreds of pounds for sophisticated units that are plumbed directly into the home supply.

However, confusion surrounds the units because many do not know what these extract or whether they really give one healthier drinking water. Recent stories that ageing filtration systems may in fact *increase* the amount of bacteria have added to the bewilderment.

Trying to get a consensus from manufacturers and health bodies is difficult, and there are no approved tests in the UK to help the consumer decide. The sole point of agreement is that *ALL* filters will remove chlorine and therefore produce a better tasting cuppa. This is because the filters contain carbon, which turns the chlorine into a chloride, or soluable salt. Most filters also take out calcium and magnesium, which "fur up" the kettle. Beyond that claims and counter-claims are as abundant as the number of systems on offer.

Graham Jukes, under secretary of the Institute of Environmental Health Officers, says that the UK's mains water supply — with a few well-publicised exceptions — is safe to drink without further treatment. But he concedes that some of the more expensive plumbed-in systems "give excellent drinking water quality — almost as pure as distilled water."

These Rolls Royces of water filtration units cost around £500, but many suppliers recommend that water softening equipment be installed in tandem to increase the life of the filtration system. The cost of both the filtration and softening system, from companies such as Permutit or Culligan, can cost £1,000 and more.

Water filters: it's a matter of taste

These units are known as "reverse osmosis filter systems." They usually have three filters and are the only units that guarantee to remove traces of lead, aluminium and nitrates as well as sediment and chlorine.

In the middle — between the expensive systems and the simple jug filters — are what are known as "activated carbon filters," which can be plumbed in or attached to taps. These filters, from companies such as NSA of Maidenhead, or Moritz, of Milton Keynes, cost a few hundred pounds, depending on the capacity. Also known as "ion exchange filters," they contain a resin which removes substances such as lead and copper by swapping ions with the substances passing through the filter.

In addition, all sorts of ingredients can be added to the basic carbon filter in order to remove undesirable substances. The most popular filter ingredients are silver and silver compounds, because they prevent bacteria breeding. Not a new trick, as even the Romans kept water in silver bowls to keep it pure - but effective all the same.

Although manufacturers dismiss the idea that old water filters can increase the amount of bacteria in drinking water, investigators at Thames Water claim to have proven a bacteria build-up in the activated carbon type of filter. These build-ups occur, they say, because the carbon filters change the chlorine in the water chemically, and so the chlorine cannot do the job it was intended to do — kill bacteria. So if the filters are not changed frequently enough, bacteria could build up in them and percolate into the water.

The present advice is that while *all* filters will remove *some* of the pollutants or additives, the more you pay for a system, the more undesirable substances will be removed. So, it all comes down to a matter of taste and pocket, rather than health. If it's simply the taste that you're worried about then investing just £10 in a simple jug filter will probably transform the flavour of your home drinking water — and it will probably prevent the kettle furring up to boot.

Bridge

YOU WILL really enjoy *The Devil's Coup*, by Jimmy Tait (Gollancz £9.95) — it has many excellent hands that will test your technique. We start with a deal from rubber bridge:

N
♠ 10 9 8 4
♥ A 7
♦ Q 9 6 2
♣ A 9 5

W
♠ –
♥ K J 5 4 3
♦ J 10 5 3
♣ K Q J 4

E
♠ 7 6 2
♥ Q 9 8 6
♦ 4
♣ 10 8 7 3 2

S
♠ A K Q J 5 3
♥ 10 2
♦ A K 8 7
♣ 6

South dealt at game-all and opened with two spades. North replied with three spades, promising trump support with at least one ace. South re-bid four diamonds and North jumped to six spades.

West led the club king. South won with the ace in dummy, drew trumps and cashed ace and king of diamonds. East had the singleton four. The declarer was forced to lose a heart and a diamond and went one down.

Let us re-play the hand. When dummy goes down, we can count 11 top tricks and the slam is on ice unless one defender holds four diamonds to knave and 10. Can this bad break be overcome? Yes, by elimination and throw-in combined with safety play.

At trick two, we ruff a club with our knave of spades, draw trumps (finishing in dummy) and ruff the last club in hand. We have completed the elimination but there is one extra move to make before the throw-in.

We first cash the diamond ace and then cut adrift with a heart. Whichever defender wins is endplayed. If East wins, he must concede a ruff discard by leading a club or a heart; West might lead a deceptive 10 of diamonds, but we run it to our king and take the marked finesse against the knave to land the slam.

We turn to teams-of-four and study The Four-Loser Spade Game:

N
♠ K J 9 2
♥ K Q 9
♦ K J
♣ A 7 5 3

W
♠ 7 5 4
♥ 8 5
♦ 9 6 5 4 2
♣ Q 10 9

E
♠ –
♥ A J 10 7 6 3
♦ A Q 10 8
♣ J 8 4

S
♠ A Q 10 8 6 3
♥ 4 2
♦ 7 3
♣ K 6 2

East dealt, with East-West vulnerable, and bid one heart. South over-called with one spade and North's raise to four spades concluded the auction.

West led the eight of hearts, covered by queen and ace. The knave was returned to dummy's king and declarer considered the position. There seemed to be four losers — one heart, two diamonds (East surely held both ace and queen) and one club. Was there any way of making the contract? This is how the declarer played.

Drawing the trumps in three rounds, he cashed king and ace *of clubs and then exited with* the nine of hearts, on which he discarded his remaining club. Now East was in trouble. A diamond return sets up dummy's king, a heart concedes the ruff discard.

If, as is the case, he has another club and leads it, South ruffs and West follows suit. Dummy's seven is good and will give a home to one diamond loser in the South hand.

Fine technique which deserved success.

E. P. C. Cotter

A new lease of life for home owners

Becoming a temporary landlord makes sense given recent changes in legislation, says ***John Brennan***

A *GROWING number* of home-owners who have to move but cannot sell, or will not accept the price they could achieve in today's market, are becoming temporary landlords. Like the unsold development properties put to rent for a time, these lettings are a short-term result of the present log-jam in sales.

But such accidental landlords are being joined by a more stable group of part-year renters. They come from the estimated 500,000 owners of under-utilised holiday properties as well as retired people who can rent to help cover the costs of keeping a home in Britain without missing out on a Costa life-style. By spending the summer in the UK and the winter abroad, they can travel against the seasonal vacation tides, renting their villa at peak season rates in the sun and letting their UK home for the rest of the year.

Becoming a part-time landlord has been realistic financially only since the 1988 Housing Act overturned 75 years of rent and tenure regulations. Since the Act came into force last year, owners have been able to let their homes on assured shorthold tenancies that allow them to charge a full open-market rent for six months at a time with no risk of finding that a tenant has acquired rights to stay beyond that term.

Although the law has been changed, changing attitudes to renting is something else. Unlike investors, who can take a neutral view of their properties, it is hard for most individual British owners to overcome reservations about letting because of the polarisation of the UK's private rental market.

At one extreme, there are the 1.6m low-value (and mainly older) private rental properties which make up the rump of a sector that had been withering for generations under the old controls. At the other, there are the few tens of thousands of polished investment properties, the majority of which are in and around London. These are flats and houses that can be rented only through company agreements drawn up to minimise the risk of an individual tenant using the powers of the Rent Acts to win tenancy rights at a controlled rent.

With these two groups of properties in mind few owners can easily picture their home as a rental proposition. Few will see suitable role models in multi-occupied bedsit properties or older houses let for decades at historic rents. Equally few would be comfortable mentally aligning their lived-in house or flat with the immaculate, interior-decorated chic of the smarter company rental properties.

As for holiday properties, the standards insisted upon by the higher-value country cottage letting networks can be even more daunting. There are many red-faced owners who thought that the family bolt-hole in the country would justify a slot in those marketing lists only to be told that they have to carry out major improvements, redecoration, refurnishing and refitting before being considered.

Against that background it is small wonder that so many homes stand temporarily – even regularly – unused. But a broad range of properties *can be let successfully. There are* takers for the most modest houses and flats in the least fashionable areas of town, as well as for quite remote country properties.

Thanks to the Government's new rulings on paying open market rents through Social Security payments, virtually anything with doors, windows and a roof is in demand. Local authorities' available rental stock has been cut by the 800,000 council house sales in the last decade, the fall in public sector house building, and the shortage of cash for repair and maintenance work. Rental demand has been further boosted by would-be first time buyers who have not been able to afford a mortgage, but even when the first-time market is active there is a regular rental crop of students and other home-leavers, job movers, divorced people and an endless variety of longer-stay visitors with neither the need nor the inclination to buy.

Because of the cash limits on properties developed or refurbished for rent in residential funds qualifying under the Business Expansion Scheme, these funds' letting experience provides further evidence of unsatisfied demand for comparatively modest homes for rent. The BES funds have found a steady turnover of tenants willing to pay open market rents. These tend to come *from outside those groups that* would normally expect to be eligible for local authority or housing association accommodation, or who might expect their employers to arrange a company letting. They represent a middle market of "hidden households" willing and able to rent for a period, but who have not been visible in the past because the choice did not at that time exist.

The next, less positive discovery for prospective landlords is that most mortgage lenders expect you to pay a percentage point or more over your existing loan costs if you decide to rent. That extra expense, plus additional home insurance cover, can take the edge off renting as a way of offsetting financing costs for anyone with a large loan. Taking in lodgers triggers similar extra loan costs. But a loan rate premium is not a major deterrent for retired people who are near paying-off the last of their mortgage, or for second-home owners who are unlikely to have over-committed themselves to fund a discretionary property.

There are no certain rules about how easily a property will rent, how much it will rent for, or for how long. But it is simple enough to get an estimate by contacting local estate agents who offer a rental management service.

Do-it-yourself arrangements are tempting. They cut out the agent's commission and management charges which can take 15 to 20 per cent of gross rents. But being your own landlord involves marketing, selecting prospective tenants, drawing up a suitable lease agreement, negotiating and collecting rents, maintaining accounts for tax purposes, dealing with day-to-day management and maintenance, and starting the whole process again when that tenant moves on. No individual element is particularly onerous, but the composite management job hardly makes sense for the owner of a single property, particularly if they do not intend to leave the place tenanted permanently.

Picking an agent is a two-way process. Few agencies will take on a property for less than several months at a stretch. Many prefer either a longer vacancy period or, at the least, a consistency of rental availability each year – the full academic year, for example. Exceptions include social season properties that are regularly rented for a few weeks, or even for a few days each year – for Wimbledon or Henley Royal Regatta.

Average residential rental yields equating to between 6 and 7 per cent are not enough to make a purchase for rent a viable proposition on its own. Even investor-renters rarely make money on letting income. They use the revenue as part cover for the holding costs while relying on capital growth for real returns.

Nevertheless, open market rents make a meaningful contribution for anyone with an otherwise vacant property. And those average yields reflect the income return against the open market value of the property. Any owner who is not unduly concerned about the opportunity cost of the money tied into the property can ignore these notional percentages and concentrate on weighing actual rent income after costs against the money it takes to maintain the place. If the numbers stack up on that basis, becoming a part-time landlord can transform a two-home budget.

Given the ability to attract part-year tenants in the open market it is also hard to see how any effective controls could be imposed on second home ownership. Such properties need only be bought for part-year letting and, if the owners accounted for a open market rental for the time they used the place, it would become a matter of case law deciding where a residential property investment stops and a holiday home starts.

As for retired people with homes in the sun, past reservations about maintaining an UK home have largely boiled down *to two problems:* residency for tax purposes, and cost. The 1988 Housing Act does little to change the picture for tax exiles. They still need to take care about having a property available for their use in this country if they want to protect their non-resident status. The *real difference is for those* who could not afford to buy a home abroad and maintain a property at home.

In the past, not even those with the money to buy a villa and an UK property of sufficient quality for the company letting market could have the best of both worlds. To stand a reasonable chance of letting the property would probably have had to be in inner London. It would also have needed to be of a quality that would dip deep into retirement capital. And since most, although by no means all, company rental agreements run for a year these properties couldn't be a practical UK base.

The scope to buy a more modest property, not to be limited by the corporate rental market's heavy London bias and yet still be able to rent it safely for just part of the year, creates fresh options. Becoming a part-time landlord on your own property on this basis could prove a far better bet than disappearing into permanent retirement exile.

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■ **Owners still prefer company lets to individual "shorthold" agreements, according to Savills. But scope to rent directly has had an impact on the balance of rentals, with the agency's books showing a year-end proportion of 86 per cent corporate, 11 per cent to individuals and 3 per cent to embassies.**

■ **The Woolwich Equitable points the way for building society-owned rentals with a four-year plan to acquire 1,000 homes. A two bedroom flat in Dartford valued at £71,750 and costing £805 a month in loan repayments on a 100 per cent mortgage can be rented for £390 a month plus £17 service charge to give a yield of 6.5 per cent. Woolwich plans to link rents to the earnings index.**

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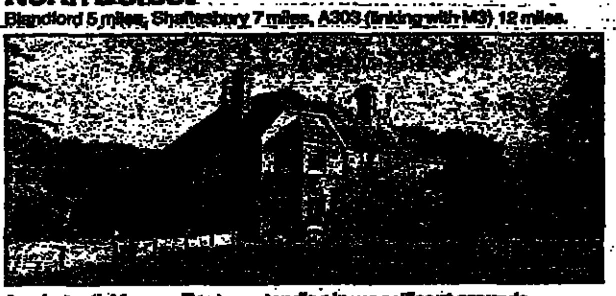

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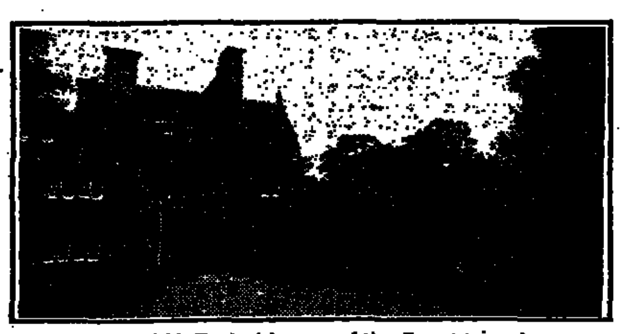

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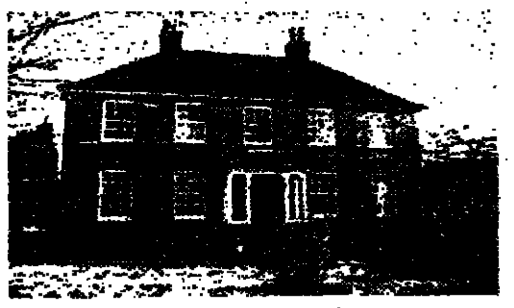

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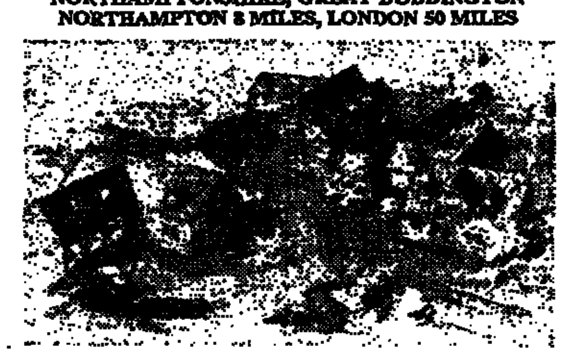

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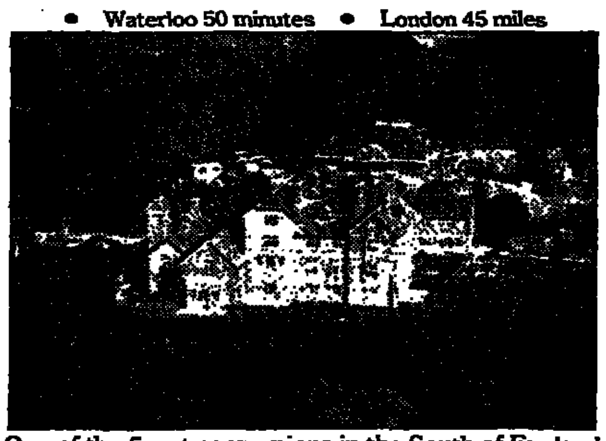

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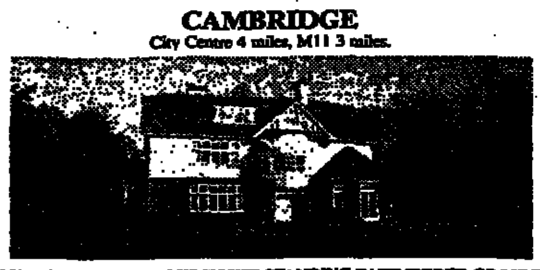

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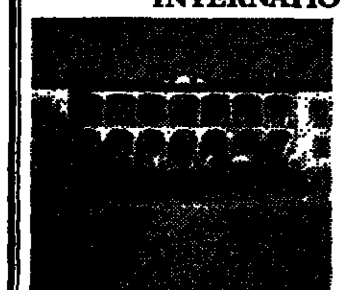

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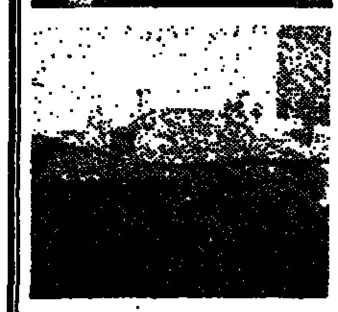

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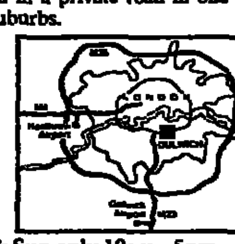

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TRAVEL

Stop at the stuffed pelican oasis

***Jack Barker** visits Farafra, in Egypt's Western Desert, a mere 12-hour drive from Cairo*

A MILLION years ago Farafra was under the sea. 100,000 years ago it was on the Nile. In 10,000 BC it was a desert home to Neanderthals, and 5,000 years ago it subscribed to the religion of the Pharoahs.

Clearly, Farafra is used to change. But nothing so far in this tiny oasis in Egypt's Western Desert has caused change to come too fast. So far, the worst effects of Egypt's tourist boom have passed it by.

Until recently it was several days' camel ride from anywhere but now, just 12 hours drive from Cairo, it is hardly inaccessible. Because the oasis has no archaeological sights, nor attractions easily itemised in guide books, its community has developed with integrity over the many thousands of years since the Nile shifted to its present course, leaving a chain of reliable oases. Now the water gushes out of the ground in the centre of the village; funnelled through a wide-bore standpipe, it makes a natural whirlpool bath filled with hot clear water in a public bathhouse.

For most travellers, this will be the first stop. The water thunders down into a circular well at the perfect height for a neck and back massage to beat away the stress and the dust of the long drive in. Later, the bath water is channelled off to irrigate the gardens, as the locals call their walled fields of date palm.

The canals from the central well run alongside a wide leafy track, which quickly narrows and splits into paths. These gradually get more minor and less used until the adjoining gardens become waterlogged. No serious wander among the gardens of Farafra is complete without becoming marooned on a tuft of grass surrounded by waterlogged wild rice – an experience that seems particularly incongruous in a place where only the eldest elders can remember the last rain to fall on miles of sand drier than packet soup.

This stretch of desert hasn't always been so dry. A short walk towards the cliffs of sand outside the town reveals thousands of small fossils, including anemones, shells and sponges.

Although it has no archaeological ruins, the old village centre has the feel of an ancient site. Once settled around the regular water of an oasis, the nomadic tradition of the desert Arabs is limited to moving the village a few hundred yards when the mud houses start to fall down. The old village centre could be any age. Uninhabited ruins of packed-sand houses decay gracefully in the desert sun, looted for doors and lintels but with the walls remaining. Locals steer clear but goats and children play around the rubble.

> *Visitors won't go hungry — if they can eat the unidentifiable*

The real charm of Farafra is the people. The welcome from Farafrans comes from all levels. Walking around town I was invited in to eat countless dishes as part of the week-long celebrations of a marriage. In the daytime these were exuberant feasts for all generations, although the sexes were strictly segregated.

At night the parties were younger and more active. Playing local instruments such as the flute and the *tambala* – a drum – the young men of the village gathered for traditional songs, chants and dances. But these did not involve wholesale dancing: only one person danced at a time while the rest played audience. Usually the men tied a scarf around their hips and impersonated the women's dance. When it was my turn I didn't do that, but would have felt a lot happier had I been able to dance better to the very foreign music being played.

As the night progressed, the young village girls came in one by one and danced for the chanting men. Their parents clustered proudly in the doorway and peered in to see how they were getting on. Often the dancers were very young indeed – eight or nine. Girls older than 12 draped scarves over their heads for anonymity. It felt strange to be part of a crowd of 30 clapping, chanting young men while a schoolgirl belly-danced for us with a towel over her head.

On the other hand this was nothing compared with the excitement when a thin, ascetic and clearly homosexual man, of about 35 came in. He tied a scarf around his hips and danced to rising excitement from all sides. I left before he did.

During another daytime stroll through the village I bumped into the sheik or *Omdar* of the village, leaning heavily on his cane as he made his way back from the Friday service at the village mosque. He invited me in for tea and dates, and we had a cheerful time making very little headway between his lack of English and mine of Arabic. On his wall were pictures of him as a young man, in uniform, and through his life with various heads of state: his 80 years had not dulled his mind and his eyes were clear as he examined this specimen of Westerner who had appeared in his village.

But the village is made most interesting for the visitor by the influence of Badr Abdel Mornay. Many people might suspect that he is a lunatic. Eldest son of one of the prominent families in the tiny Egyptian oasis of Farafra, he spends his time painting religious murals on every available inch of wall in the village, makes large-scale clay sculptures of his friends, and tries to keep up a small museum in a mud-built building that is falling down around his ears.

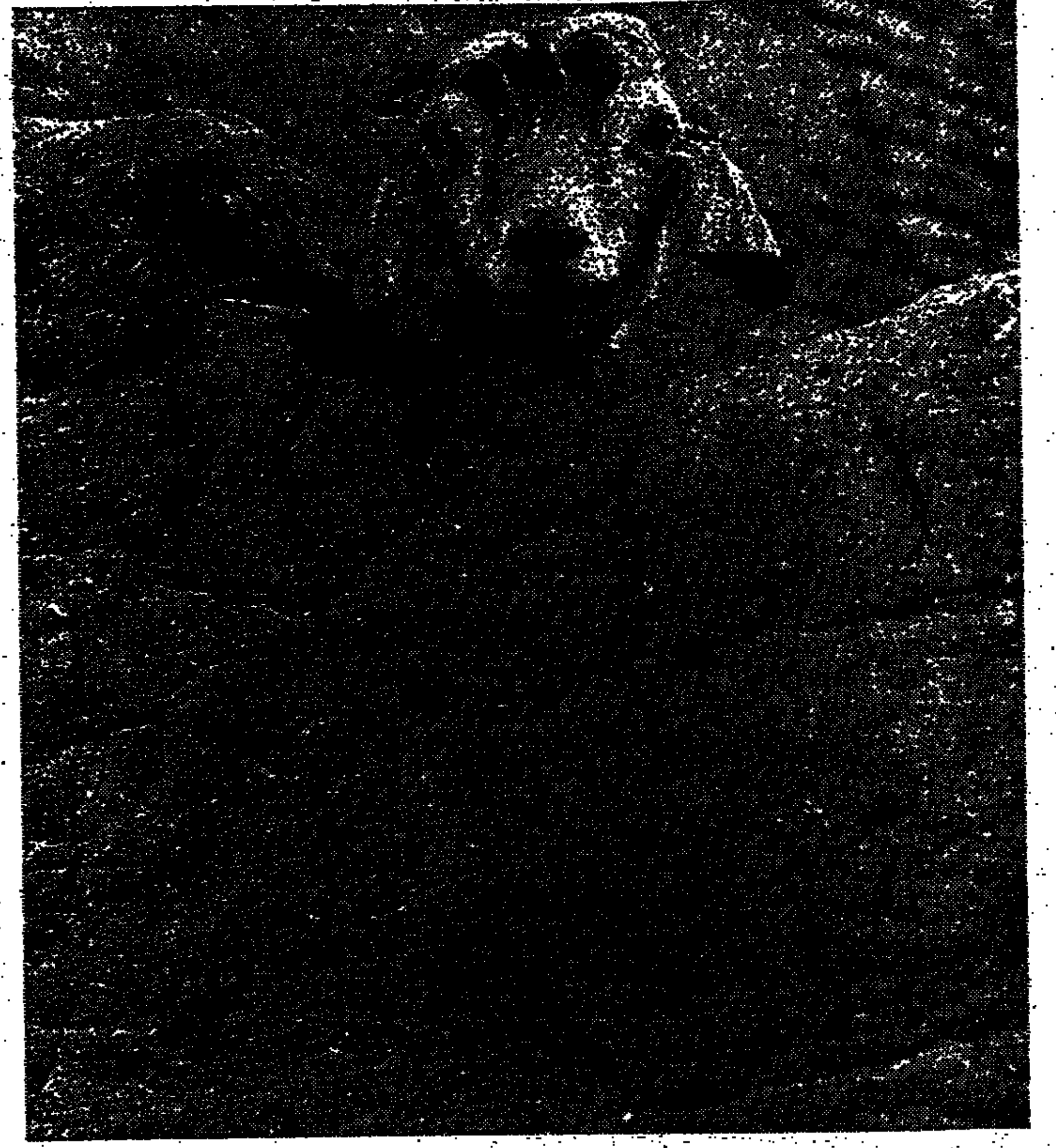
In the midst of all this he finds time to welcome any passing traveller who isn't scared off by his remorseless energy. From the old town looking down on the rest of the village it is clear that Badr has drawn murals on most of the walls in the town, inside and out. There are religious scenes, paintings of aeroplanes and boats for those who have made the pilgrimage to Mecca, and occasional abstract doodles where he presumably was passing by when struck by a creative urge.

I arrived to find him in a state of high excitement. A bus driver on the coast had run into a pelican and had given the corpse to a friend to give to Badr in his oasis, miles from the sea. None of the Farafrans had ever seen such a bird, and Badr immediately set to work to stuff it for his museum.

The museum itself, housed in a dilapidated house that needs rebuilding rather than repair, is not about to start a tourist boom for Farafra. It has some interesting traps and artefacts used when the desert still supported gazelle and other animals which have now all been eaten, but the main exhibits are a dusty set of home-stuffed birds in glass containers dark with dirt. The best sculptures are kept at his home in case the museum falls down.

Farafra has one government-run lodging house that provides sagging beds in dormitory conditions. Those with cars might prefer to sleep under the stars in the desert. For food, there is just one restaurant, which isn't open every day, but such is the hospitality of the locals that visitors with the stomach for unidentifiable food will never go hungry. Various small shops open at odd times to sell bitter Danish cheese in cartons, cans of tuna and packets of sweet biscuits. For about 10 minutes a day bread comes onto the market, but it soon sells out. It is a four-hour drive to find the nearest bottle of beer, as there is no alcohol in the oasis.

Farafra may lack modern amenities, but at the moment it is Egypt in a time capsule, a place that has missed the changes caused by colonial influences and the tourist economy. In another 10 years it will be much changed.



A goat in the rubble of Farafra village, an oasis in the hubbub of civilisation

TRAVEL

A wistful air pervades the land of heart's desire

***Anthony Kerr** goes to County Sligo which, in spite of its fame as a haunt of the poet Yeats, seems to have slipped into obscurity*

KILCULLEN'S seawater baths at Enniscrone, *County Sligo, is a* small square building overlooking the sea. Inside, each red-painted cubicle contains an immense bath attached to the wall by rickety, umbilical plumbing. I watched dubiously as the *attendant* turned *off the shuddering taps,* picked up his *empty* bucket and left me alone to contemplate the speciality of the house – a seaweed bath.

The mop of seaweed, *steam-cleaned* to a vivid shade of green, flapped gently in the *water, releasing clouds of brown oil. It* looked like a tureen of Chinese soup, but when I slid in and lay floating in the scalding seawater, moving my toes through the rubbery leaves, I understood why the baths were still open *after* more *than 80 years.*

Afterwards, lobster red but buzzing with new-found energy, I asked the proprietor if business was good. "Ah, it's good enough, but not what it used to be. The old people still come." He gestured at the old ladies *waiting with their towels; like him they* looked soft-skinned and healthy. "But there's not many tourists now. Maybe when we put a sign on the main road . . ."

Indeed, I thought, a sign might be a good idea. Enniscrone is an almost perfect beach resort. Under *purple* hills, the Atlantic surf rolls on to a long crescent of fine white sand. Behind the dunes is an 18-hole golf course, which is carefully tended but little used, while fishing enthusiasts can choose between the sea and either *of two* famous salmon rivers within 10 miles of the town.

The facilities are all there, but there is scarcely a coachload of tourists to use them, even in August. It seems that Enniscrone, *and County Sligo* in *general, have* been bypassed by the tourist routes and slipped into undeserved obscurity.

Enniscrone's wistful air pervades Sligo – the land of heart's desire, according to the county's *motto*. It seems to have suffered *twice*, first *because* the troubles in the north have scared away many potential British visitors (to the dismay of the Irish for whom, perhaps surprisingly, the British are by *far* the most popular tourists); second, because it isn't Galway, Mayo, or Donegal. These neighbouring counties are much more famous; Sligo has only Yeats, whose haunts are a day's detour on a journey to somewhere else and is otherwise thought to be undistinguished.

Perhaps it is this that makes Sligo so pleasant. It has all the traditional charms of Ireland – a dramatic, half-tamed landscape, clean light that drives photographers and painters to ecstasy, and the warmth and wit of the Irish themselves – but without the twee, self-conscious Irishness of places like Killarney.

There are no tourist traps here, and there is plenty of life *outside* the summer season. *Sligo is old-fashioned* (in the *nostalgic* sense), crammed with interesting places and, from almost any vantage point, gloriously beautiful.

The best way to see it is by car – preferably your own as car hire costs at least IR£160 per week – and by bicycle, the deserted roads and gentle hills being ideal for cycling. Bicycles can easily be hired on fine days.

Accommodation is easy to find (a friendly pub is a good place to ask) and ranges in price from IR£8 a night for bed and a substantial breakfast up to about IR£80 for a double room in an old country house. For the thrifty or adventurous there are relatively few official campsites, but little problem camping on farmland. Children are welcomed, even in pubs.

From Enniscrone the coast road passes through pretty but unassuming countryside *dotted with villages, some no more* than a cluster of farms and lonely surfing beaches. Here and there thatched cottages still have wisps of smoke emerging from their chimneys, but many more are roofless and stand forlornly beside modern bungalows, too expensive to repair and, frankly, too cold and damp for everyone but the purists.

Rounding the headland brings the first view of Knocknarea, the mountain that dominates Sligo Bay. With its flat top and curving sides it resembles a volcano, except for the huge cairn perched on top which mysteriously duplicates the shape of the mountain.

We climbed it on a sunny afternoon on our way to Sligo town. Patches of light moved across the half of the county laid out beneath our feet – Ben Bulben and the cliffs of Donegal to the north, the Ox *Mountains hazy in the east and* the wrinkled coastline of the bay directly below. On the brown mountain slopes was a huge "Peace" sign laid out in slabs of rock; to its left a bird of prey appeared, hung motionless, then dropped away, straight down, until it vanished against the silvery water.

Sligo town was pleasant, with its grand public buildings and traditional shopfronts, though rather choked with traffic. It has two cathedrals and the remains of a 13th century abbey, but for me the highlight was Hargadon's, a pub seemingly unaltered since the last century. Its interior is dark brown and sombre. A turf fire glows in one corner, old bottles lean together on sagging shelves, and men smoking untipped cigarettes conspire beneath a picture gallery of 1930s Guinness adverts.

The level of comic (or tragic) eloquence in these pubs is so high that it often feels as though you are participating in an O'Casey play, though that could just be the effect of the drink. Apart from Guinness, my favourite social lubricants are a hot whisky, made with lemon, sugar and cloves, and – smoothest of all – a hot brandy and port. Poteen, cold or hot, is something you may come across when invited for a drink in someone's house; it is romantically illicit, but given its *do-it-yourself origin, best treated with caution.*

After a night on the town the best restorative is a walk in the hills. Sligo's wilderness is to be found in the Ox Mountains, the ridge of ancient rock that splits the *county in two.*

The road we took began among peat bogs, barren land gashed with black trenches, and remained severe until we reached Lough Easkey at the top of the pass. From then on, however, the road *meandered gently downwards past glades* and waterfalls towards the eastern plain. Tempting paths led off on every side, offering gentle strolls or climbs to tax the fittest athlete, and all this with only sheep for company.

For an artistic celebration of this landscape, Yeats is the man. The poet's corner is in northern Sligo and can be "done" in a day, from Ben Bulben, the great table mountain, so famous for its profile and its flowers, to the churchyard at Drumcliff, where Yeats lies buried beneath a tombstone that reads: "Cast a cold eye on life, on death. Horseman pass by!"

There are miles of dreamy scenery, Lisadell House, and the (disputed) site of the lake isle of Innisfree on Lough Gill. It says a lot for County Sligo that the situation of such a famous beauty spot should be uncertain.

One can trail famous people anywhere. For me, Sligo's greatest *glory* is one of its (many) antiquities – Carrowkeel, perhaps the least known of Ireland's great megalithic sites. It lies in the Bricklieve mountains, just a few miles from Castlebaldwin. Finding it is difficult as it is at the end of a little-used farm track, but because of this *the place is usually deserted.*

On a series of sharp limestone ridges are 16 cairns concealing passage graves, some of which you can, and should, crawl into. Their *construction* is a marvel; so carefully are the *stones* put together that even after 4,000 years they do not leak. We spent some time, no-one knew how long, in Cairn K, a rare combination of court and passage grave. As we sat in the alcoves that give onto the central chamber we gradually fell silent, and even the least imaginative among us began to think of dead souls, ley lines and mysterious earth forces. Curiously, none of us felt anxious to leave.

When we did, it was to find a site every bit as spectacular as *its monuments. It is* surrounded by peaks and valleys, most notably by a deep cleft, on the other side of which are the remains of a prehistoric village, possibly the home of the tomb builders. There is a cave with passages leading deep into the rock and, I was told, many other wonders to be discovered on subsequent trips. Despite all this, even on the finest day you are likely to be quite alone, for Sligo and its beauty spots are *deserted.*

No-one charges admission or sells ice-cream or tells the children not to climb on the megaliths; you can truly please yourself. It is badly signposted but worth the journey, remote but never far from friends. Ireland's tourist industry will revive and with it Sligo's fortunes; for the moment, it is a beautiful backwater, a place of calm even in this supremely tranquil *country.*

Skiing

THE AIR is crystal clear and the firs and pines reach up to rocky peaks. The church bell tolls; afterwards, you can almost smell the silence.

Trouble is, it is not supposed to be like this in a ski resort at the height of the season. Alpbach, in the Kitzbühel Alps – above the valley between the Wildschönau and the Zillertal – is supposed to bustle with life, colour and snow at this time of year. It is supposed to attract the great and the good.

The locals in this classy and charming village, which consistently attracts a monied *clientele, were apologetic* and almost embarrassed by the lack of snow earlier this month. They kept insisting that it would snow even when there hadn't been a cloud in the sky for five days. "Snow is forecast for the area," became a sort of *catchphrase for our skiing party. To find* snow, even the beginners had to be bussed out of the village and take the gondolas up to the 2,128 metre (6,981 ft) Wiedersberger Horn. There was no snow at all on the village's nursery slopes.

But Alpbach is luckier than many European winter ski resorts – it has its faithful adherents who return each year and it does not take long for beginners and intermediate skiers to find snow of some description. Handily placed (one hour 15 minutes from Innsbruck, 2½ hours from Munich and two from Salzburg), the village provides just about enough interest and entertainment to sustain a snowless winter holiday.

There are discos and dance nights in the village hotels, Tyrolean musical evenings, skittles matches and sleigh-ride parties to nearby Rossmoos for folk nights (organised by the tour operators). The local tourist office will provide details of hikes – *not just for the hairy-leg and crampon* brigade but gentle rambles for those of us who are unfit, fat and nearly 40.

It may well be to the long-term advantage of Alpbach that it has chosen not to go for modern high-rise hotel development and shopping schemes. Strict rules mean that buildings must be wood-faced; consequently, the village retains a solid old-world atmosphere.

The whole place is still a class act – uniformly clean and hospitable hotels and guesthouses – but one hotel in particular, the Böglerhof, is just that bit special. Built in 1470, like the rest of Alpbach's buildings it is in traditional Tyrolean style. Alpbach has Anton Moser – Bögler innkeeper, mayor and member of the Tyrolean parliament – to thank for that. Until his death in 1979 he tried to ensure that the village kept its character in spite of a growing tourist trade.

Fortunately, Alpbach has a summer tourist season. Like the rest of the Tyrol, though, it must have been wondering if the last two winters of poor snow were just a blip in the world weather pattern or a dreadful portent. There must have been some very big sighs of relief this past fortnight when a decent depth of snow finally fell . . .

Jill James

MOTORING

■ AFTER roaring away last year, there are clear signs that the classic car market has paused for breath. So says Robert Brooks, managing director of Brooks, the London specialist classic car auctioneer.

But he believes the lull is temporary and that the market will regain strength following what is, in effect, a re-assessment of what is and isn't desirable.

Buyers are becoming more selective although top marques such as Ferrari, Maserati, Porsche and Aston Martin still fetch big prices. But their road-going production models – often made in thousands rather than hundreds or tens – are now recognised as too common to have justified recent price peaks.

"People are now realising that prices for many of these mid-range models moved ahead too far, too fast, over the past two years," says Brooks.

Aston Martin DB4 production cars clearly became over-heated last year as the trade, encouraged by many new investors, bought anything available.

Prices reached £60,000 to £120,000 for models that had been made in runs of 2,000-3,000. Buyers believed they were on to a good thing – another Ferrari-type bull market – but have burned their fingers.

Today, it has become increasingly difficult to find buyers for these same vehicles at £40,000 to £50,000. At all the major UK auctions sales since December, car after car in these model ranges has failed to sell due to over-ambitious reserves.

Brooks says confidence remains in truly top cars, meaning the very best from all levels be they a Lotus-Cortina saloon, a Jaguar E-Type, Ferrari 250GT or Aston Martin Zagato.

"The cream from these will always float to the top and fetch top prices," he says. "Take the world record £34,100 recently paid at our Donington sale for an exceptional super sports model of – guess what? A humble Austin Seven."

Much City interest seems to have been drawn to the short-term investment potential of collectable cars. But it is a highly volatile and specialised market.

To help those interested, advice is available in various guises. There are even unit trust schemes for investors to buy, in effect, a share in a *top-notch classic car*.

Some acknowledged experts in the field are, however, making cautionary noises about how top-notch some of the vehicles really are. They see an unhealthy element of hype in some of the schemes, claiming undue fame for cars which represent their security. Brooks says: "As with any investment, it pays to look around. The starting point should be to obtain expert and objective advice from, say, a top auction house like Sotheby's, Christie's or, of course, Brooks."

So what actually makes a classic?

Coys of Kensington's Guide (see story this page) lists 10 points, ranging from innovative engineering and appealing body lines to competition history and charisma. Brooks speaks of "four finite criteria" – individual history, originality, provenance and rarity. "If a car proves positive in all these tests, you are usually looking at a classic of truly recognisable and secure market value."

Racing history is the best you can find; usable sports-racing or Grand Touring cars offer security. (The 1983 Le Mans-winning Porsche 956 was sold by Brooks at Motorfair last October for just under £1m, and a D-Type Jaguar fetched a record £1.2m).

Originality is discussed less but remains important. An extreme example was the Mercedes-Benz 500K Special Roadster found in a leaking garage in Walsall, West Midlands, where it had lain for 30 years.

Its body had almost rusted away but, with a new set of plugs, the engine started at once. It was knocked down for £1.6m against an estimated £800,000-£900,000.

Provenance involves proven interim history; the link between what we believe of the car in its heyday, and what we see or know of it as it survives today. Rarity is another effective factor, so long as other rules of quality also apply.

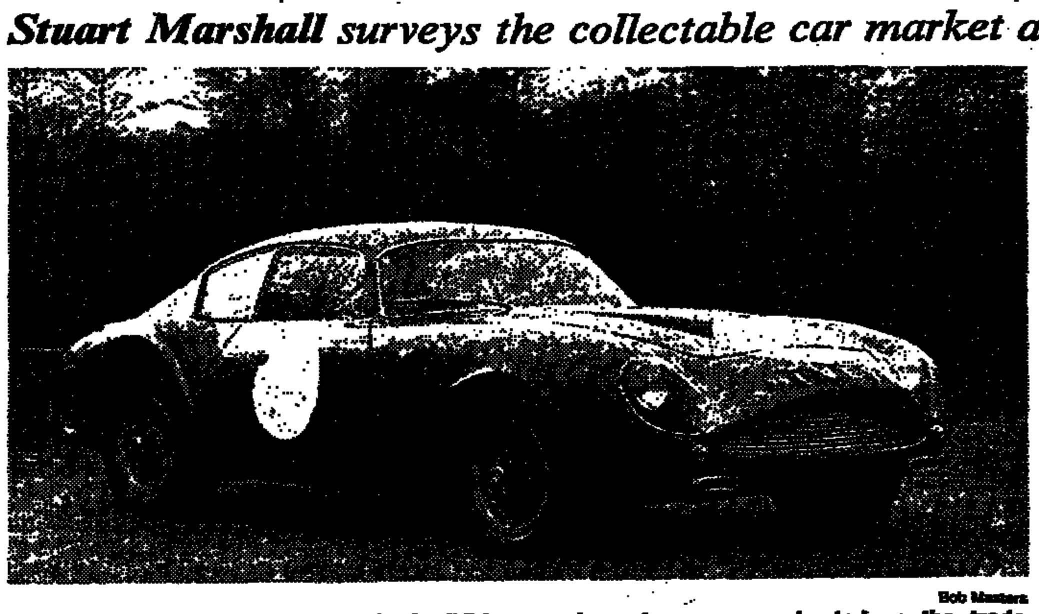
A sole survivor of a marque will not be valuable automatically; nor would a one-off special. But rarity and quality together could add tremendous value.

The prime example here has to be the Bugatti Royale, one of only six or seven built and virtually unsaleable when the car was launched in the great depression of the 1930s. Now, it is the world's most valuable car, auctioned at the Albert Hall in London for an incredible £5.5m.

S. M.

When only the very best will do

***Stuart Marshall** surveys the collectable car market and finds buyers are becoming much more selective*



Bob Masters

Prices of run-of-the-mill Aston Martin DB4s may have become over-heated as the trade, encouraged by new investors, bought anything that was available, but this very rare DB4GT Zagato fetched £1.54m in Brooks' sale at the Donington Collection earlier this month.

■ THERE'S a great deal of fashion in car collecting. One make of car changes hands for *big money*. Another does not have anything like the same market value even though the two might appear to be more remarkable for their similarities than their differences. Ferraris and post-war Maseratis are a case in point.

Lower down the price scale, a car of merit ignored by most collectors is the Jowett Javelin. A 1948 model I drove last year impressed me as a design so *far ahead of* its time that it still seemed almost modern. Yet, despite being restored most beautifully, its owner reckoned it would fetch only about £7,500 if auctioned.

Another marque with merits not appreciated widely is Bristol, still produced in very small numbers for buyers who like a good European-type chassis with a large American engine and automatic transmission. "A difficult car to quantify," says Coys' Guide. "Bags of quality, sparkling performance for their various production years and a certain elegance. On paper, they should be a must. In reality, they remain extremely good value."

There are, in fact, two distinct kinds of Bristol. From 1947 to 1962, their ancestry could be traced to pre-war BMWs with two-litre, six-cylinder engines and highly aerodynamic bodies (as you would expect of a car made by an aircraft company. You could, in a way, have called the Bristol a British Saab because the Swedish aircraft-maker also diversified into car manufacture).

In 1960, the Bristol Aeroplane Company merged with Hawker-Siddeley and the car-making side changed direction. It could not afford to develop a new engine and opted instead to buy-in a massive 5.1-litre Chrysler V8 with automatic transmission.

The pre-1960 Bristols – rapiers to the later cars' broadswords – appear rarely at auctions but are sometimes for sale at the *Kensington* High Street, London, premises of Bristol Showrooms. Prices are quite moderate for cars of such elegance.

One of the rare 402 convertibles (a favourite of Hollywood stars early in the 1950s) might sell for £35,000-£40,000 if in very good condition. But Christie's consultant, Nick Baldwin, writing recently in *Antique Collector*, reckoned that £10,000 would still buy an early Bristol in good order. One needing restoration might cost only half that.

■ COLLECTABLE cars are investment vehicles to the well-heeled who see them as nice little earners. But for every one that sits, protected from deterioration or damage, in an air-conditioned store, another will be driven as its maker intended – even if its outings are confined to days when no rain is forecast.

Few owners would contemplate using their collectable car as hard as 22-year-old Jay Albus, though. He and his girlfriend, Lynda Burke, set off from the National Motor Museum at Beaulieu, Hampshire, last month in a 1957 Morris Minor and headed east on a leisurely three-year trip. If all goes well, they will re-appear at Beaulieu in January 1993, having driven right round the world. Their Minor will then go on display in the museum.

Albus reckons it will be the longest journey attempted in a Morris Minor or, come to that, any two-wheel driven car of its age. It is a purely private trip with no service back-up, so it is just as well that Albus is a mechanic specialising in Minors.

Meanwhile, there will be a few classic and collectable cars among 100 vehicles heading east from Marble Arch, central London, on April 7 to celebrate Prince Scipione Borghese's *epic drive from Peking to Paris* in 1907.

Most of the international entrants will be driving modern 4x4s like Land Rovers, Jeeps, Range Rovers and Mitsubishi Shoguns. The hardy and intrepid in collectables and classics include the Swiss owner of a 1920 *Rolls* Royce.

Among British entries are a 1955 MGA, 1930 Talbot Tourer, 1931 Bentley, *1926* Sunbeam and a 1931 Austin Seven sports. Bravest of all are two Britons: J. P. Brydon of Nottingham, in a 1912 Simplex Speedster, and C. A. Barrington, a Devonian who will be astride a 1939 BSA motor-cycle.

The 1990 event does not follow the northerly route on which Borghese drove his massive Itala to win the Peking to Paris Trial 83 years ago. He struck north from Peking, crossed the Gobi Desert and went round the bottom of Lake Baikal before heading to Moscow via Tomsk, Omsk and Nijni-Novgorod. From there, he went to St Petersburg and Berlin en route to Paris. It took him 60 days.

This time, as the title makes clear, it is the other way round. Drivers start in Paris and are routed *via Istanbul*, Samarkand and Tashkent. They skirt the southern part of the Gobi and approach Peking from the west.

According to the organiser, travel firm Voyages Jules Verne, it is not a race: to finish will be honour enough. The cars, which are due to leave Paris on April 8, should reach Peking on May 30. Their journey promises to be adventurous, not dangerous, and reasonably comfortable. The old cars will be allowed to start daily stages earlier than the modern ones and are scheduled *to arrive at the overnight stops* later.

Entry fee for car and driver is £10,000, with another £5,000 for each co-driver, navigator, riding mechanic or spare body. If you fancy your chances, there is still time to enter. Write to Voyages Jules Verne at 10 Glentworth Street, London NW1, or 'phone 01-723-5066.

Europe's most challenging event for classic cars is the Pirelli Marathon, which is being held again this year. It starts from London on June 17 and ends 2,000 miles (3,200 km) later at Cortina, Italy, on June 23. More than 60 different models from 30 manufacturers, all of them at least 25 years old, will take part and the event has become so popular that more than 2,000 applications were received for the 120 places.

Sandro Veronesi, managing director of Pirelli Ltd which sponsors the event, is an old car enthusiast himself with a stable that includes an early post-war MKVI Bentley. He hopes to take part.

■ COYS' Car Value Guide is to collectors and investors what Wisden is to cricket buffs or Glass's Guide to the less exalted end of the used car market.

Ring-bound and pocket-sized, it tells potential buyers everything they need to know about all the collectable marques. It estimates prices and also points to probable future trends in buying and selling.

Any investment analyst (or even a clairvoyant) would have been proud of one example of forecasting in the 1989-90 issue.

Of the Volvo P1800 coupe and estate, it says: "A car to watch for . . . amazingly civilised classics that could very well become future celebrities."

Last week, a 30-year-old P1800 was knocked down for £42,000 at Coys' first auction this year. It had been owned by actor Roger Moore and was used as his personal transport in *The Saint* TV series.

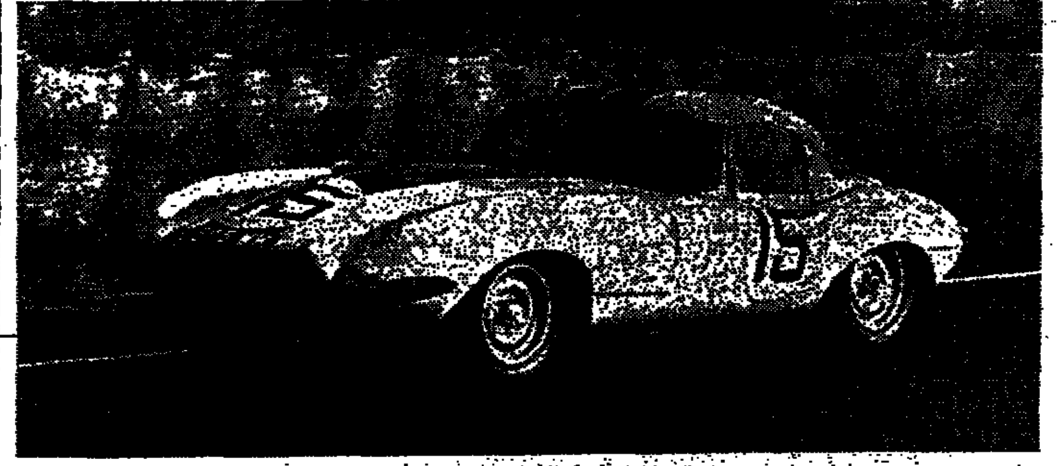
The estimated sale figure was about £30,000: which shows what the "cult" label does to a car's value.

Jeffrey Pattinson, chairman and chief executive of Coys of Kensington, says in the Guide (£35 from Coys, 2A Queens Gate Mews, SW7 5QJ, tel. 01-823-7124) that blue-chip collectable cars have out-performed almost all other investments over the years.

This was likely to have major repercussions on values, *especially at the top end of* the market, with a knock-on effect lower down.

Pattinson adds: "We have, however, consistently warned against investment in cars with the aim of purely short-term gains.

"This would ultimately lead to turning the old car world into the sort of unpredictable gamble . . . of the stock market."



This Jaguar E-Type lightweight was one of three entered for the Le Mans 24-hour race in 1963. It was damaged severely when it hit straw bales but was patched up and finished ninth, winning its class. Restored fully, it was sold by Coys of Kensington in London last week for £1,075,000.

Chess

ALTHOUGH modern grandmaster chess is conducted at a high technical level, the games that most impress the amateur public are still *old-style king's side attacks* and smart tactical finishes. But a quick win implies an early mistake by the loser, and modern brilliancies are more the province of run-of-the-mill grandmasters and international masters rather than the super-stars of the world top 20.

Team chess, with wider disparities in strength than most individual events, is a prolific field for miniatures and the recent European team event in Haifa, Israel, was no exception.

Both this week's games feature unusual and poor *opening plans by the losers*, and the widespread availability of computerised opening data means that such passive, dubious ideas normally are defeated by well-primed opponents.

I have often advised improving and serious players to keep abreast of theoretical changes, and the best way to do so is a copy of *Batsford Chess Openings* (second edition) by Kasparov and Keene, coupled with a subscription to the six-monthly *Chess Informant* where grandmasters comment on hundreds of recent international games which are arranged according to openings.

Informant is available from Pergamon Chess, Railway Road, Sutton Coldfield, West Midlands B73 6AZ (tel. 021-354-2536) or from *British Chess Magazine*, 9 Market Street, St Leonards on Sea, East Sussex (0424-424-009) at around £15.50 post-free.

White: Mokry (Czech).
Black: Arlandi (Italy).
Petroff Defence (Haifa 1989).
1 e4 e5 2 Nf3 Nf6 3 d4.

Chess fashion has swung over the years between this pawn advance and the capture *3 Nxe5, which is preferred now* following Nigel Short's wins over Salov and Timman during 1989.

3 ... Nxe4 4 Bd3 d5 5 NXe5 Be7?

A natural move, but it gives Black a restricted defence and is inferior to Bd6 (playable) or Nd7 (best).

6 c4 Nf6 7 0-0 0-0 8 Nc3 c6 9 Re1 dxc4?

Setting up his own downfall; Be6 is a better chance.

10 Bxc4 Nbd7 11 Nxf7! Rxf7 12 Qb3 Nd5.

Probably only now did Black see that the normal reply 12 ... Qf8 is refuted by 13 Bxf7+ Qxf7 14 Rxe7.

13 Nxd5 Bd6 14 Ne7+! Resigns.

Because 14 ... Bxe7 15 Bxf7+ Kh8 16 Bg5! is hopeless for Black.

White: Eingorn (USSR).
Black: Pandavos (Greece).
Queen's Gambit Declined (Haifa 1989).
1 d4 Nf6 2 Nf3 e6 3 c4 d5 4 Nc3 Be7 5 Bg5 0-0 6 Qc2 h6?

As in the previous game, Black gets into trouble because he chooses moves which look sound on general principles but happen to be provenly bad in the particular context. Here *the best is* 6 ... Na6 7 a3 c5.

7 Bxf6 Bxf6 8 0-0-0 c6?

Experience shows that White's attack - queen's side castling and a king's side pawn rush - develops very fast *against the Queen's Gambit*; so the active c5 is now essential.

9 e4 dxc4 10 Bxc4 b5 11 Be2 Qb6 12 g4! Rd8 13 e5 Be7 14 g5 hxg5 15 Rhg1 Nd7.

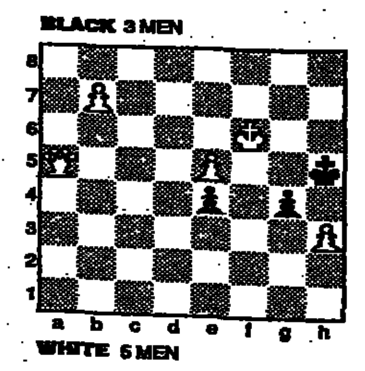
Black *cannot hold* his extra pawn because if f6 16 exf6 gxf6 17 Qg6+.

16 Nxg5 Nf8 17 Qe4 Bd7 18 Nxf7! Kxf7 19 Rxg7+! Kxg7 20 Rg1+ Resigns.

White's brilliancy *forces* mate after 20 ... *Kf7* 21 Bh5+ or 20 ... Kh8 21 Qg4.

PROBLEM No. 811

BLACK 3 MEN



WHITE 6 MEN

White mates in three moves at latest against any *defence* (by R. Tavariani, USSR 1978).

This week's puzzle looks easy enough, with White a queen up and the black king trapped on the edge of the board. But it defeated several grandmasters and masters at a Russian tournament, and half an hour qualifies as an excellent solving time.

As usual, White moves up the board with his advanced pawn poised to promote if desired.

Solution Page XXI

Leonard Barden

BOOKS

The fatal charm of Lebanon

***Edward Mortimer** on a vivid account of strife*

PITY THE NATION: LEBANON AT WAR
by Robert Fisk
André Deutsch £17.95, 662 pages

ROBERT FISK is one of the outstanding reporters of this generation. As a war correspondent he is unrivalled, at any rate in Britain. He made his name in the early 1970s as *The Times* correspondent in Northern Ireland, where he frequently got up the nose of the British Army; then transferred to the foreign side and, after a year in Portugal and Spain, was appointed Middle East correspondent in the summer of 1976.

The Lebanese civil war – then only a year old – was at its height and the Syrian army was just about to intervene. The previous correspondent had had to be withdrawn in a hurry when his wife threatened to leave him if he stayed any longer in Beirut. It no longer seemed a sensible place to base a correspondent, and I – as London-based Middle East specialist – advised that Fisk take up residence in Cairo. But Fisk soon discovered that Lebanon was where he wanted to be. Not only was most of the "action" there: the absence of an effective state allowed private enterprise to flourish. In Cairo he wasted hours queuing for bits of paper in government offices and state-owned banks. In Beirut, even at the height of the fighting, he could cash a cheque on New York in five minutes.

Even though he had hardly known the country in its halcyon days before 1975 Fisk soon fell for Lebanon's fatal charm, which in this book he likens to "being bitten by a beautiful dragonfly whose wings were of such splendour that the victim did not even feel the nip in the flesh." Though he has covered many other stories, from Afghanistan to Ethiopia, he keeps on coming back to Lebanon, chronicling all its successive and ever-worsening ordeals.

His special stock-in-trade is the vivid, even lurid, description of the physical effects of extreme violence. Now he has put it all together in one enormous book, readers are going to need strong stomachs as well as considerable stamina.

Fisk's Lebanon should be illustrated by Hieronymus Bosch, with some help from Francis Bacon. People's faces "slop off on to the road." Doctors have to shave the burning hair off shell-fire victims "before picking out the white phosphorus from their flesh." Corpses after bombing raids are found piled on top of each other in a school basement, or "emerge from the rubble flattened into huge shadows, their bodies only an inch or two thick, their heads broken open like eggs." Flies "throb over the torn intestines" of a castrated massacre victim.

And so on ad nauseam – not that it takes much of this kind of thing to induce nausea. Indeed, Fisk often refers to himself or his journalistic colleagues "retching" at the sight and smell of so many corpses.

The whole central section of the book is devoted to the Israeli invasion of 1982 and its immediate aftermath, the Sabra-Chatila massacre. Fisk is careful to record that the invasion was welcomed at first by many Lebanese – Moslem as well as Christian – and that it was preceded by the destruction of the Syrian city of Hama in fighting between Syrian government forces and the Moslem Brotherhood, which may have involved an even higher death toll and which he was the only journalist to witness and report at first hand.

He also makes the point that the Palestinians often brought down destruction on civilian targets, including hospitals, by placing anti-aircraft guns in their vicinity. Nonetheless he sees the invasion as having marked a decisive phase in the Lebanese conflict, both because of the scale and destruction and suffering it caused and because of the disintegration of Lebanese society which followed it.

Up to then the war had been mainly about the Palestinians, with (broadly) Christians against them and Moslems for them. But Israel's introduction of Phalangist militia men into the Chouf set off a bitter sectarian war between Druze and Maronites, while her attempt to control the South through a network of ad hoc militias, informers and protection rackets produced a bitterly radicalised Shiite population and eventually a battle between pro-Iranian and Syrian backed Shiite factions.

Meanwhile four NATO powers were dragged in in Israel's wake, and two of them – France and the US – paid a heavy price at the hands of Shiite suicide bombers. Eventually all Westerners became the target of Shiite anger, including Fisk's close friend Terry Anderson, the AP bureau chief, who next month seems likely to complete his fifth year as a hostage. His story, and the personal anguish it caused to the author, gives a strong sense of purpose to the closing chapters of the book.

All in all, it is an impressive personal narrative of a collective tragedy – offering, alas, little hope of a solution in the near future.

One of the drawings made at the deathbed of the author of *Goodbye to Berlin* and published in *Last Drawings of Christopher Isherwood* by his lifelong companion Don Bachardy (Faber & Faber £25.00). Some may say that to make public these horrifying pictures of the novelist in the days before his death are an intolerable exposure of the private self. But for Isherwood the private self was also the public self. The book is in that sense consistent with the rest of his work. There are pages included of a journal Bachardy wrote at the time, and comments by John Russell and Stephen Spender.

Isherwood died in January 1986. A selection of his writings has just been published under the title *Where Joy Resides*, edited by Don Bachardy and James P White with an introduction by Gore Vidal (Methuen £18.99, 415 pages). A.C.

Get the dope on the Mob

***Alan Friedman** looks at the Mafia*

MAFIA: THE LONG REACH OF THE INTERNATIONAL SICILIAN MAFIA
by Claire Sterling
Hamish Hamilton £15.99, 384 pages

THE STRUGGLE against the Hydra-headed evil of the Sicilian Mafia is hardly a new subject; indeed for many law enforcers, journalists and academics on both sides of the Atlantic it would seem that there is little new to be said about the Palermo-based organisation and its collaborators in the American Cosa Nostra.

In the Bush Administration's so-called "war on drugs" the focus of interest in recent months has shifted notably over to the Colombian drug lords of the Medellin cartel and to grandstanding actions such as the President's rather feeble recent "summit" meeting with three Latin American leaders. But this obsession with the Colombians is at best only a partial solution to the problem, as Claire Sterling makes clear in her detailed and up-to-date new tome on the global drug power of the Mafia.

The sad truth is that the "Pizza Connection" trial in New York and the "maxi-trial" of 464 mafioso in Palermo – the two major judicial attacks of the 1980s – served mainly as a history lesson in understanding the structure and growth of the Mafia as a well integrated multinational corporation, with its modern heroin labs, its electronic transfer of funds, its billions of dollars of annual revenues and its ability to corrupt a good number of Italian politicians.

These trials, and the heroic work of prosecutors such as Judge Giovanni Falcone in Palermo and Rudolph Giuliani in New York, did little, however, to stop the international crime syndicate that is known generically as the Mafia. Even as some of its bosses have been sent to prison (frequently to run international drug trafficking operations from the comfort of their cells) the Palermo-directed Mafia has been expanding its activities from Istanbul to Brookyln to London, Montreal, Caracas, Rio, Bangkok, Sofia and beyond.

As recently as 1988 the Sicilians, who are described by Sterling as being far more powerful than their American surrogates, began laying the groundwork for an even bigger trade that seems destined to take full advantage of both the coming liberalisation of Europe's internal financial markets and the growing prosperity of young Europeans. In the US heroin sells for four times the price in Italy. Cocaine sells for four times as much in Italy as in the US. One hardly needs to be an arbitrage expert to understand why the Sicilian Mafia, with its excellent distribution channels in Western Europe, should be keen to take cocaine in payment for the heroin it delivers to the US. For the Mafia, "Europe 1992" is nothing less than a golden opportunity.

Sterling is a controversial and determined writer, an American journalist who has lived in Tuscany for many years. Her latest effort is the fruit of five years of research and it is rich in material for anyone who wishes to understand the mechanisms of the Mafia, the division of labours between the Men of Honour of Sicily and their American cousins.

The book also paints a depressingly accurate portrait of the frustrated heroes of the US and Italian judiciary and police, who never quite get the resources they require. The book's main failing is that it appears at times to be a disjointed narrative, as though the wealth of material somehow overwhelmed Ms Sterling's editors, who made too many cuts and then failed to give the novice reader a sufficient "executive summary."

The book is nonetheless every bit as serious as its deadly subject and among its merits is the clarion manner in which Sterling goes into the political dimension, from the active role played by Sicilian politicians to the casual manner of Prime Minister Giulio Andreotti, who depends for a quarter of his electoral and financial support on a Palermo politician who has been cited 163 times by Italy's anti-mafia commission. Andreotti , a Teflon-politician if ever there was one, has got himself off the hook many a time by rounding on his critics. His friends and political associates in Palermo are devastated by this book.

Fiction

Handicap no disability

TRYING TO GROW
by Firdaus Kanga
Bloomsbury £13.99, 242 pages

THE OTHER OCCUPANT
by Peter Benson
Macmillan £12.95, 168 pages

HOWLING AT THE MOON
by Peter Sayer
Constable £10.95, 174 pages

BOMBAY FROM the eye-level of an adult who is four foot tall: this first novel has, not surprisingly, a new slant on everything it looks at.

Partly a very funny, very moving account of Parsee family life, with parents, sister, neighbours, relatives, and the narrator, Brit, and partly Brit's story as he confronts the world outside, *Trying to Grow* is unflaggingly good company. *Osteogenesis imperfecta* means lack of growth and bones which keep breaking, so the nickname (in spite of Brit's father's objection that "you don't call a Mongol kid Mong") stands for brittle. In the eccentric, volatile, loving household he grows up independent, sexually lively, and pretty nifty with his wheelchair. His parents feed him books and education. And his mind flowers.

But with the onset of adolescence his extreme "otherness," purely physical though it is, comes home to him. What does the flowering mind do in a body like Brit's? The radiantly beautiful Cyrus, Brit's first male friend, makes him think briefly that he must be homosexual. Until Cyrus's also beautiful girlfriend Amy persuades him he isn't. So how to balance mind and body, spirit and preference?

As with many life stories (fact or fiction) the child's eye view is the more attractive and accessible. What domestic charm, what warmth, what adult understanding of a handicapped child, and ditto the child's of his parents' dilemmas, all bathed in Bombay light and tickled by the dotty behaviour of the extended family. The adult story, more complicated and less concentrated, is, not surprisingly, less successful. Outside the cluttered flat, furnished with Victoriana, are endless possibilities, harder to deal with. As there must be for this extraordinarily fluent young novelist, who is funny about heartbreak, tenderly erotic and so full of life his writing glows with promise.

The Other Occupant of the title is cancer. Unexpected and lethal, it arrives at a house in Dorset where Marjorie, aged 82, is sent home after tests to die. With her is Greg, the narrator, a young man she has hired for a week to help with garden chores. As he takes over – learning about friendship, the complexities of the past, pain and the human spirit, love and its unexpected ways, the joys of driving an Alfa, the silence of the countryside – that week stretches out to encompass Marjorie's last days.

Greg writes with stylistic simplicity, very readably; at first one is lulled into mistaking his manner for bald realism. Not a bit of it. Layers and crevices, gaps and fissures as important as what is said, all add up to a short novel of power and persuasiveness, about people who count and feelings which are memorable; in a tricky emotional situation, it doesn't put a foot wrong, it's sparseness and lack of descriptive emphasis being exactly what is needed. Cancer and death, rural violence, sadness and long term regret might seem depressing subjects. Again, not a bit of it. What counts is their treatment and what rings through the book is the triumph of a human spirit.

But *Howling at the Moon*, about the gradual onset of madness, is depressing, and again this effect lies not in the subject but in its treatment. In all its people, mad or sane, the human spirit flickers feebly, and those left on the shores of sanity seem almost as bereft of point and dignity as the central sad figure left staring into space.

Michael, a working class graphic artist, has married Susan, daughter of a rich businessman. They drift apart, he becoming obsessed with the idea that she has a lover, spying on her at work and at home. A violent ending puts him away and Susan back in her mother's comfortable, dreary home, visiting regularly, talking to silence.

Paul Sayer won the Whitbread Prize with his first novel *The Comforts of Madness*. Once a psychiatric nurse, he obviously knows the stages of delusion and obsession, and describes them accurately. But this second novel lacks power and creativity. In the sense that matters it is artistically and emotionally downbeat, gloomy, unsatisfying.

Isabel Quigly

Aftermath of war

THE HIDDEN DAMAGE
by James Stern
Chelsea Press £17.95, 371 pages

WHO WAS it said the following of whom: "She is merely acclimatising herself, in accordance with natural law, like an animal which changes its coat for the winter. Thousands of people like —— are acclimatising themselves. After all, whatever government is in power, they are doomed to live in this town." ? Well, did you get it? Yes, Isherwood, of his landlady, at the end of *Goodbye To Berlin* in 1939.

Mr Issyvoo did eventually go back to Berlin after the war. He discovered that Frl. Shroeder was still alive and he wrote a short newspaper article describing his return. It was his fellow expatriate in America, W H Auden who went to Germany before the war was officially over to make a tour of a number of German cities which had been prime targets for bombing by the Allies. This tour was at the behest of the Pentagon for USSBS (US Strategic Bombing Survey). Auden was given a uniform in the US Army and the courtesy rank of major, with the brief of interviewing a cross-section of the civilian population to discover their reactions to the bombing.

Auden's knowledge of Germany before the war was thought to make him especially well qualified for this task. Before he left in April 1945, Auden explained to the Pentagon that there was an English writer living in New York who was even better qualified to be a Bombing Analyst. He had a German-speaking wife and had been earning his living by translating books and plays from the German. This was James Stern, whose moving account of this period, *The Hidden Damage*, appears in Britain for the first time.

Stern, now in his eighties, is the least famous of the writers in the Auden circle, but one of the most highly regarded within that circle. This reissue carries an introduction by Stephen Spender, who calls it "a sentimental journey" of a grim kind. Stern, the son of an English cavalry officer and an Irish mother, escaped from a job in the family bank before the war, to live in Europe as a writer. Apart from this book, his output of original work has consisted only of two or three volumes of short stories of which *The Man Who was Loved* is the best known. That story, like several others, is set in South Africa. Stern also worked as a farmer in in the days of the British South African Police. He depicts them with the same clarity that Orwell wrote about their counterparts in Burma.

Like Orwell, Stern spent some time during the pre-war Depression among coal-miners and the unemployed, in Derbyshire and South Wales. His descriptions of their efforts at subsistence, published in *Penguin New Writing*, yield nothing in vividness when compared with the more famous accounts by Orwell. His work benefits from the objectivity of the I-Am-a-Camera school of writing.

Stern's skill at a kind of reflective reportage really comes into its own in this second world war book. It was originally going to be a joint work with Auden but, happily we feel, Auden lost interest in the project as soon as they returned to New York, leaving Stern to make something deeply personal out of it.

The territory was Germany in the immediate aftermath of defeat, devastated not only by four years of Allied Bombing but also by the trail of destruction left by the SS in final retreat; many vital bridges and and roads destroyed. Stern, who had been to Sandhurst in his youth, put on his American officer's uniform, and mucked in with his colleagues. They went on bumpy rides in their jeeps from Darmstadt, Stuttgart, Munich, Kempten, Nuremberg and Frankfurt, observing cities completely flattened by saturation bombing and conducting hundreds of interviews with the survivors.

Stern sets down some of these: with, for example, a hospital nurse still a confirmed Nazi or a girl who worked for the Luftwaffe and was nearly starved to death when rations were short. One respondant said that food would become cheaper and conditions improve when the Jews returned from America! Many suffered from hearing loss caused by the bombing, and many others suffered from it when the question of German guilt was raised. There was widespread resentment at the bunglings of the Nazi High Command.

Some of the cities were places where Stern had lived before the war, and the most memorable parts of the book are his discovery that a few of his old acquaintances are still alive, and living in the same houses. "After all whatever government is in power they are doomed to live in this town." His reunions with them prompt some vivid writing. He studies their faces and reads there the horrors of the intervening years. He hears always of sons missing or killed. A chance remark by the daughter of a doctor, an old friend in Frankfurt, indicates that beneath the surface attitudes have still not changed. A lighter note comes in the sections devoted to life in the mess; a cordon bleu cook is coopted, under whose magic touch powdered egg suppers alternate with heavy dinners of dumplings and chocolate cake. A farm where they make cheese in vast quantities provides a welcome day out.

While the question of German reunification is being urgently debated this is a timely reprint. Its impact now in Britain is likely to be as great as when it first appeared in America in 1947.

Anthony Curtis

Blurred portrait

CHOPPING DOWN THE CHERRY TREES
by Linda Christmas
Viking £14.99, 310 pages

TO PAINT the portrait of a country's decade, even one apparently so selfcontained as Britain in the Eighties (the subtitle of this book), is an ambitious undertaking. It requires the artist to erect a framework, to present a hypothesis, and to force a synthesis on a mass of disconnected events, places and people. Even if he or she has no political axe to grind, it is hard to see how the job can be done without a point of view – or even a smattering of prejudice.

Linda Christmas opens with the declaration that she carries no political baggage. More's the pity. It allows her to tour the country with an open mind, but it is the open mind of the Islington dinner-party hostess who has failed to come to any conclusion about the issues of the day. It allows her to practise her considerable skills as an observer, but her observations do not point us in any direction.

The result is a photograph album of a journey, a collection of newspaper articles, rather than a book. Where the picture is the point of the story her stream of reportage works well, especially in the account of her visit to Northern Ireland. But it also includes a lot of redundant narrative – details of bus journeys, hotels, people she meets on the road – which distract us from the theme of each chapter.

Some of the digressions read like a child's guide to contemporary history, as in the account of the SDP breakaway; others are just innocent; and some are padding: paragraphs of quoted speech just tipped out of the notebook or tape-recorder onto the printed page.

The author, who has already written a praised book on Australia, has somehow failed to come to grips with her own country. Despite all the hard-won material at her disposal and despite a penetrating eye for physical detail, she (or her editors) have allowed the paint to obliterate the canvas.

Ultimately unfocussed and inconclusive, this book is a description of Britain in the Eighties, certainly. But it cannot claim to be a character-revealing portrait of the times.

Christian Tyler

Bishop with a difference

BISHOP HUGH MONTEFIORE
by John S. Peart-Binns
Quartet Books £18.50, 364 pages

THE MOST famous Montefiore was called Moses and lived for a hundred years from 1784 to 1884. He was a Sephardi Jew and did more to help Jews become accepted within the English business and social establishment than any-one else. As John Peart-Binns puts it he was "fortunate to become acquainted with the young Princess Victoria . . . " Moses was exceptionally hard-working and magnificently philanthropic. His great-great-great nephew, Bishop Hugh Montefiore, took his portrait with him to whatever study he inhabited.

Reading this long and detailed biography one has an only occasional sense of the bishop's Jewish roots. Whether this is a proper reflection of the author it is hard to judge. Montefiore's conversion to Christianity was early – he was only sixteen – and spectacular. He was sitting in his study at Rugby feeling rather low when he saw a distant figure in white whom he instinctively knew to be Jesus. The figure said, "Follow me." As Montefiore commented later, "In the morning I was a Jew and by the evening I had become a Christian as well."

He survived the shock this decision caused among his family and went on to become a priest. Meanwhile, he had gained a First in Theology, fought in India and married the daughter of a Presbyterian minister. He seemed to be particularly well suited to help the church face modern life. Which he did for some years.

However, in 1967 he had the bad luck to be picked up and thoroughly shaken around by the press after a speech he made on the subject of Christ's humanity. In the cool light of twenty-odd years on and reading the actual excerpt, it is clear that he was not suggesting that Christ was positively homosexual but that he could have been the kind of man for whom women held no attraction. But even so, it was seen as an unnecessary exercise of the imagination and did him much harm. Nevertheless it was also an expression of his constant search to reach a closer understanding of Jesus and thus the faith he had espoused. It also illustrates the impulsiveness which seems to have been both admired, but also feared, by his church.

On matters of dogma, he was generally in favour of change, coming down early on the side of female ordination and church remarriage after divorce but, at heart, he remained a traditionalist. His ministries at Gaius and Gonville College and Great St Mary's, Cambridge, Kingston and Birmingham all seem to have been notable for his enormous enthusiasm in many areas. Yet for every word of applause, there is a note of caution, as if this man's personality was almost too much for the church whose cause he had espoused.

Rachel Billington

ARTS

Goodbye to Berry Street

William Packer mourns the closure of the Space Studios, Clerkenwell

UNLIKE MY musical colleagues, it is not often that I write about a show that is over almost before it opens, but this is a special case. Space Studios at Clerkenwell, on the top two floors of an old factory at 8 Berry Street, EC1, tucked in behind the Clerkenwell Road and Old Street crossroads, held their first Open Day in 1979. Today, or otherwise by appointment (01 253 0389), they hold their last, for they must be out in a fortnight. The Space organisation has found another site down the Lea Bridge Road, but Leyton and Walthamstow are a far cry from the heart of the City. This particular community must break up.

It is a pity that working artists should be pushed ever further from the centre. The envious eyes may be commercial in the City, in Chelsea residential, but everywhere the hard economic effect of return per square foot is the same. The irony is that so often it was the artists, with Space the co-operative pioneer, who, seeing the opportunities such unused properties represented in the depressed 1970s, saved them for present redevelopment.

The list is long and distinguished of artists who have worked at Berry Street: Ian Breakwell, Carl Plackman, Jon Groom and Kevin Sinnott are among them. Bridget Riley and Anthony Hill also used the studio, and the late Victor Willing occupied the largest space of all until his death two years ago. His widow, Paula Rego, herself one of the most remarkable painters we have in this country, is still there and showing a major painting of her husband's alongside her own.

Altogether there are 28 artists taking their leave, their work covering a wide range. Today there are sculpture, tapestry and holograms to be seen besides the inevitable painting. As for the painting, you may take your pick, from the romantic abstraction of Colette Morey de Morand, the simple, pinched and ambiguous grounds of Harry Philbrick and Graca Coutinho's abstracted, allusive images of ancient doors and arches on the one hand, to the widely various figuration of Suzanne O'Driscoll, John Keane and Michael Buhler on the other. The fun is as much collective as the interest is particular. Go.

'Bloc,' 1989, by John Loker at Flowers East

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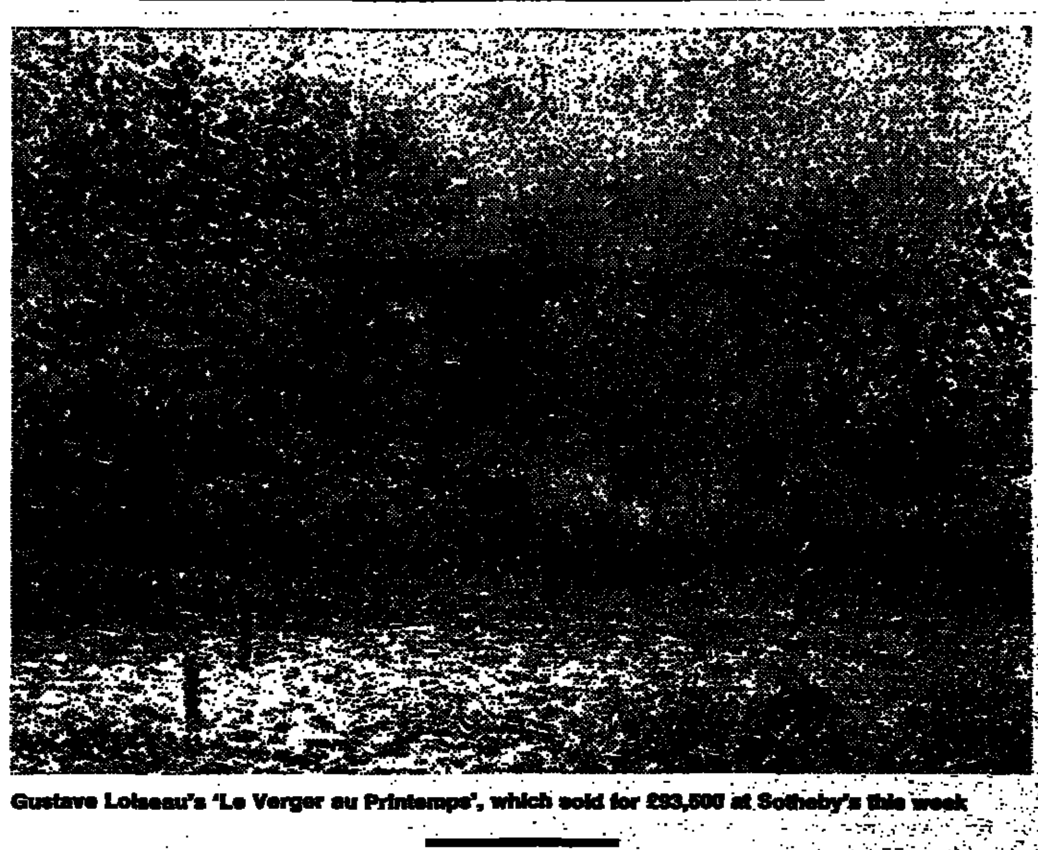
What else is open in the City on a Saturday? Some 50 yards away, at 17 Great Sutton Street EC1, Francis Graham-Dixon stays open all week-end. The current show is of recent paintings and constructions by Geoff Rigden (until March 18), all worked with an oddly rough and clumsy delicacy. The constructions are particularly intriguing, small abstract assemblages, for the most part in shallow relief, that recall in their modest and unaffected way a true sense of the informal playfulness of Picasso.

Flowers East too, 10 minutes away at 199 Richmond Road E8, is open all weekend, with three shows current in its ample spaces (until March 18). Two are impressive but contrasting shows of works on paper, with Trevor Jones's dark, deceptively simple monoprints and studies upstairs, with their blank and roughly scrawled screen-like surfaces working quietly on the imagination, while downstairs, Michael Rothenstein's water-colours, and especially his exuberant, gaudy wood-cuts, engage the eye rather directly.

The principal space is given to recent paintings by John Loker, many of them very large canvases indeed. The imagery seems familiar, if not quite what it was before. His ambiguous cubes and cones are set in a peculiar, flattened space to make their own scale, as though they might be at once a child's set of highly-coloured wooden bricks, and tower blocks and pylons in a wide landscape. The colour too remains much the same. The developments rest in the quality of the painting, so much freer and lighter than before, wiped and scored with a fine gestural expansiveness and ease. There is to it all a sense of freshness and enjoyment, as though Loker is taking so much less trouble with it, which is not meant at all as an insult.



Gustave Loiseau's 'Le Verger au Printemps', which sold for £33,500 at Sotheby's this week

Saleroom

Impressionist spiral

THE ART World Cup takes place in New York in mid May. The current champion, Van Gogh, defending an auction record price of \$53.9m. paid by Alan Bond for his "Irises" in 1987, is under pressure from Renoir.

This time Christie's is behind Van Gogh with his portrait of Dr Gachet, painted a few weeks before the artist's death. It is a real professional's picture, anguished and affecting, and carries a \$50m top estimate: but Sotheby's Renoir, one of his earliest and jolliest canvases showing revellers in a Montmartre dance hall and with the same estimate, might win the day.

It is one of the classics of Impressionism, and there is a feeling that some of the paintings from both auction houses last year, especially the Van Gogh's and all those Picasso's, were over-hyped.

These two sales are assuming mythic importance. A succession of record prices in the 1989 May sales tempted out more Impressionist and 20th century masterpieces in the autumn, notably a major Manet and a whole drove of Picassos. They did quite well, but it was obvious that the price spiral was slowing. The number of established collectors willing to pay over \$30m for a painting is a literal handful – unless new ones can be tempted out, or the very rich who would buy if their perfect picture became available, can be nobbled. With the two May sales in New York each shaping up to a total of over \$300m, contributing around 15 per cent of Sotheby's and Christie's annual turnover, their importance to market confidence, and to saleroom profitability, can hardly be exaggerated.

If the world economy, and especially that of Japan, stays buoyant the Renoir and the Van Gogh are on target to compete for a record. At the moment the omens look good. The falls on the Tokyo Stock Exchange were worrying but this week's sales of minor Impressionist and modern paintings and sculptures in London were encouraging. Christie's sale brought in almost £2m, with a reasonable 22 per cent unsold. Sotheby's did even better, making £3.4m (12 per cent unsold), a distinct improvement on the £2.2m. realised in the comparable auction last October.

These Second Division Impressionist auctions have suddenly become interesting. They share many of the characteristics of the major auctions. Most of the buyers are foreign, with the Italians, and now the Spanish, featuring prominently, plus some Japanese bidders. But there are signs that the nouveau riche British are prepared to spend up to £50,000 on a minor Impressionist painting.

Also some of the Impressionist dealers, who can no longer afford the £5m plus pictures in the big sales, are buying around the £100,000 mark. There is always the chance that a second division Impressionist will win promotion to the Big Time.

This is unlikely. The rules are set; the names chosen; the art history written. But Melanie Clore, of Sotheby's Impressionist department, reckons that certain artists (she mentions Guillaumin) might just make it if an influential early work came on to the market. Guillaumin exhibited along with Monet, Pissarro, Renoir and Degas in the first big Impressionist show in Paris and although he went on to paint many undistinguished canvases his work of the 1870s still has great merit. A contemporary, Gustave Caillebotte, has just about moved into the big league.

Over at Christie's Guy Jennings throws in the name of the Czech Emil Filla. He was on offer at under £10,000 this week but if Eastern Europe begins to spawn collectors one of his important 1920 compositions could approach £500,000.

But most of the mini-Impressionists are artists like the trio of Henris – Martin, Lebasque, and Le Sidaner, who in the decades after 1900 painted decorative landscapes in a cheerfully Impressionistic style. As Melanie Clore says, "even if one sold for £5m they would still be second division artists because their contribution to 20th century art was imitative of the great Impressionists." But they have a wide appeal – to collectors who want a pretty picture and feel modernistic enough to prefer an Impressionist; to interior decorators furnishing expensive appartments; to impoverished connoisseurs who cannot afford the more distinguished work of Sisley and Pissarro; and to the Japanese, still struggling with the intricacies of western art.

The Japanese are the key to the boom in Impressionist art. They have bought many of the most expensive paintings and at the lower price levels have particular favourites, notably by Bernard Buffet, Utrillo, Foujita and Marie Laurencin.

Also playing in the second division are the minor works by major artists – a small sketch by Renoir; a drawing by Matisse; a work on paper by Leger; a throw away by Picasso. These appeal to fans of the Modern Masters who can never afford to acquire a major oil. Typical was a dove shaped by Picasso from a table napkin which sold this week for £7,150.

Finally among the mini-Impressionists are those overlooked "schools of art," the School of Paris in the 1950s; Spanish exiles; the Italian Futurists. And, perhaps most intriguing of all, the artists who in the boom of the last few years have seen their most important works selling for well over £1m – Leger, Derain, Signac, Soutine, but whose early, late, or less distinguished outpourings still cost less than £100,000.

Antony Thorncroft

Count Panza's gift

MORE THAN 300 works of sculpture and painting including one of the world's most important collections of American Minimalist artists from the 1960s and 1970s is to be acquired by the Solomon R. Guggenheim Foundation in New York.

The collection, which will be shown both at the Guggenheim Museum in New York and the Peggy Guggenheim Collection in Venice, is being acquired in a combined "purchase and gift transaction" from Count Giuseppe Panza di Biumo, the renowned Italian collector and real estate heir who lives in Milan. Count Panza will also be transferring ownership of the land and buildings that comprise his family estate, the Villa Litta, at Varese, about 30 miles from Milan.

Count Panza said that he had been in talks with Mr Thomas Krens, director of the Guggenheim Foundation, for the last couple of years. In 1984 the shy, bespectacled Italian collector sold 80 works of Abstract Expressionism and Pop Art to the Museum of Contemporary Art in Los Angeles. At the time he said he was to be paid \$11m for a collection worth more than \$30m.

Count Panza is no longer a trustee of the Los Angeles museum and is said to be disappointed that the museum considered selling some of his works to raise cash. He said the Guggenheim deal prohibits the museum from selling any of the works in his collection unless he gives his personal authorisation. Mr Krens describes the Panza collection as "without a doubt the most significant single collection in the world documenting the important artistic achievements of the 1960s and the 1970s."

The first 211 paintings and sculptures being acquired include works by Minimalist painters such as Robert Mangold, Brice Marden and Robert Ryman and sculptors Carl Andre, Dan Flavin, Donald Judd, Richard Serra and Richard Long of the UK. The second part of the Guggenheim accord involves the promised gift, within five years, of an additional 105 works including examples by Alan Charlton, Jene Highstein, Douglas Huebler, Robert Irwin, Peter Joseph, Robert Law, Sol LeWitt, Maria Nordman, James Turrell and Lawrence Weiner. The Villa Litta will be maintained by the Guggenheim along the lines of the collection in Peggy Guggenheim's old villa on the Grand Canal in Venice.

Neither Count Panza nor the Guggenheim would disclose the value of the collection, which is thought to be several tens of millions of dollars, or the price being paid by the US museum. Count Panza said merely that he was happy that the collection, which he has assembled since 1956, would "be conserved intact for future generations to see."

Alan Friedman

Records

Crusading early Verdi operas

A VISIT to La Scala can renew the faith of any lover of Verdi. Although the composer did not always enjoy happy relations with the theatre, it remains his artistic home. More often than not one of his operas opens the season and if the standard of the performance does not live up to expectations, wounded Italian pride will soon make its feelings known.

It was here that Verdi began and ended his career. From *Oberto* to *Falstaff*, both premièred at La Scala, the journey was to take 54 years and no less than 26 operas. But not until the 1970s, when Philips pioneered a series of recordings, did the lesser-known early works start to gain the wider currency they deserve.

Those eight sets have now been reissued on CD and I make no excuse for talking about them before any of the new Verdi recordings. Most opera-lovers are only partially aware of the range of music waiting to be discovered and it has been amusing to see colleagues greet the reappearance of these discs with "That's marvellous. One of those operas is really superb!" – only to realise that they each have a different one in mind.

It would be foolish to claim that the music in all of them is consistently inspired. But the important point to grasp is that Verdi never undertook a new work without a sure idea as to what it was about the story or the people in it that meant something to him. The forces that were shaping Verdi as a man in his thirties, especially patriotism and the compassion of a father who had lost wife and children through illness, are felt here at their sharpest edge.

In the operas of war and rebellion we are transported from the camps of the invading Huns before the sack of Rome, to a Pasha's harem in Turkey, and on again to the Mount of Olives, swept on by a wave of crusading energy. *Attila* (426 115-2) and *I Lombardi* (422 420-2) really set the pulse racing, as Verdi launches into those rousing cabalettas and choruses that were to make his name the rallying-cry for Italian patriotism.

On a more human scale we can meet characters like the Byronic pirate hero of *Il Corsaro* (426 118-2) or the hapless family of *I due Foscari* (422 426-2), caught in the cog-wheels of Venetian politics. These people may be crude in their psychology but the raw emotions from which they are fashioned are just as crucial to the complex personalities of the great operas. Know the forebears and you will understand their descendants all the better.

Among the series I admit to two personal favourites. At a time when the standard of Verdi singing is again causing controversy, it is a delight to turn back to *I Masnadieri* (422 423-2), recorded in 1974, and find a cast difficult to fault in Montserrat Caballé, Carlo Bergonzi and Piero Cappuccilli. What lyrical beauty Verdi lavished on their roles, no doubt to please the London audience of Her Majesty's Theatre at the opera's première in 1847.

Nor is it really possible to say that you fully understand Verdi the dramatist until you have been introduced to the extraordinary character of Stiffelio. A Protestant minister of the Church, morally unshakeable, devout, stern, he is unlike any other individual in the Verdi canon and José Carreras pushes himself to his limits to scale the role's dramatic heights. The whole set (422 432-2) shows how unjustly *Stiffelio* as an opera has been neglected.

The conductor Lamberto Gardelli is a most adept guide throughout the series and it is only a minor cause for regret that orchestral standards dropped when Philips moved the recordings from London to Vienna. All of them are recommended, with the possible exceptions of *La battaglia di Legnano* (422 435-2) and the early comedy *Un giorno di regno* (422 429-2), though in saying that I note that the latter was in fact chosen by one respected colleague as the pick of the bunch.

A note on two other early Verdi CD reissues. EMI have brought us their recording of *Giovanna d'Arco* (CMS 7 63226-2), an uneven opera, which is hampered by the insensitive conducting of James Levine. But Caballé offers some beautiful singing there; as she does again in CBS's set of *Aroldo* (CD 79328), Verdi's none too successful attempt at grafting a new story and fresh popularity on to the bones of *Stiffelio*.

Among the new releases I pass over the recent DG version of Verdi's Requiem (423 674-2) as quickly as the tortuously slow speeds of the conductor, Carlo Maria Giulini, will allow. There is little to detain us here. No passion, no spontaneity; and the solo quartet sings woefully out of tune. The set as a whole sorely tests the theory that there must be something good about every recording if you look hard enough.

No, to renew our faith in Verdi, it is back to La Scala. The new EMI recording of *Rigoletto* by Riccardo Muti (CDS 7 49605-2) is not an unqualified success. It is not even the best of the recent sets of the opera, as anybody who received Decca's rival version for Christmas will know. But it is distinguished by a determination to perform La Scala's presiding composer to a standard that you would be unlikely to find equalled anywhere else.

Muti is a perfectionist. Typically, he has chosen to record the new critical edition of the score. His cast – Daniela Dessì, Vincenzo La Scola and Giorgio Zancanaro, of mixed vocal fortunes – has been rehearsed to the last detail and the Orchestra and Chorus of La Scala play as though their lives depended on it. Technically, at least, La Scala can still give us Verdi in the best tradition of the house.

Richard Fairman

ARTS

'Le Bluff' receives the boos

Max Loppert reviews two very different Meistersingers

THEY DO the maddest opera productions in France. Take the new *Meistersinger* at the Châtelet, which comes mid-season in the activities of the Théâtre Musical de Paris, Jacques Chirac's municipal base for opera, music, and dance. The means were fully provided for a solidly authoritative account of a score long unheard in this city – Marek Janowski, an internationally admired Wagnerian conducting his home orchestra, the French Radio Philharmonic, and the French Radio Chorus, and a cast led by José van Dam. The theatre has been restored and, though "acoustically" a bit "close" for mature Wagner, is a joy to visit.

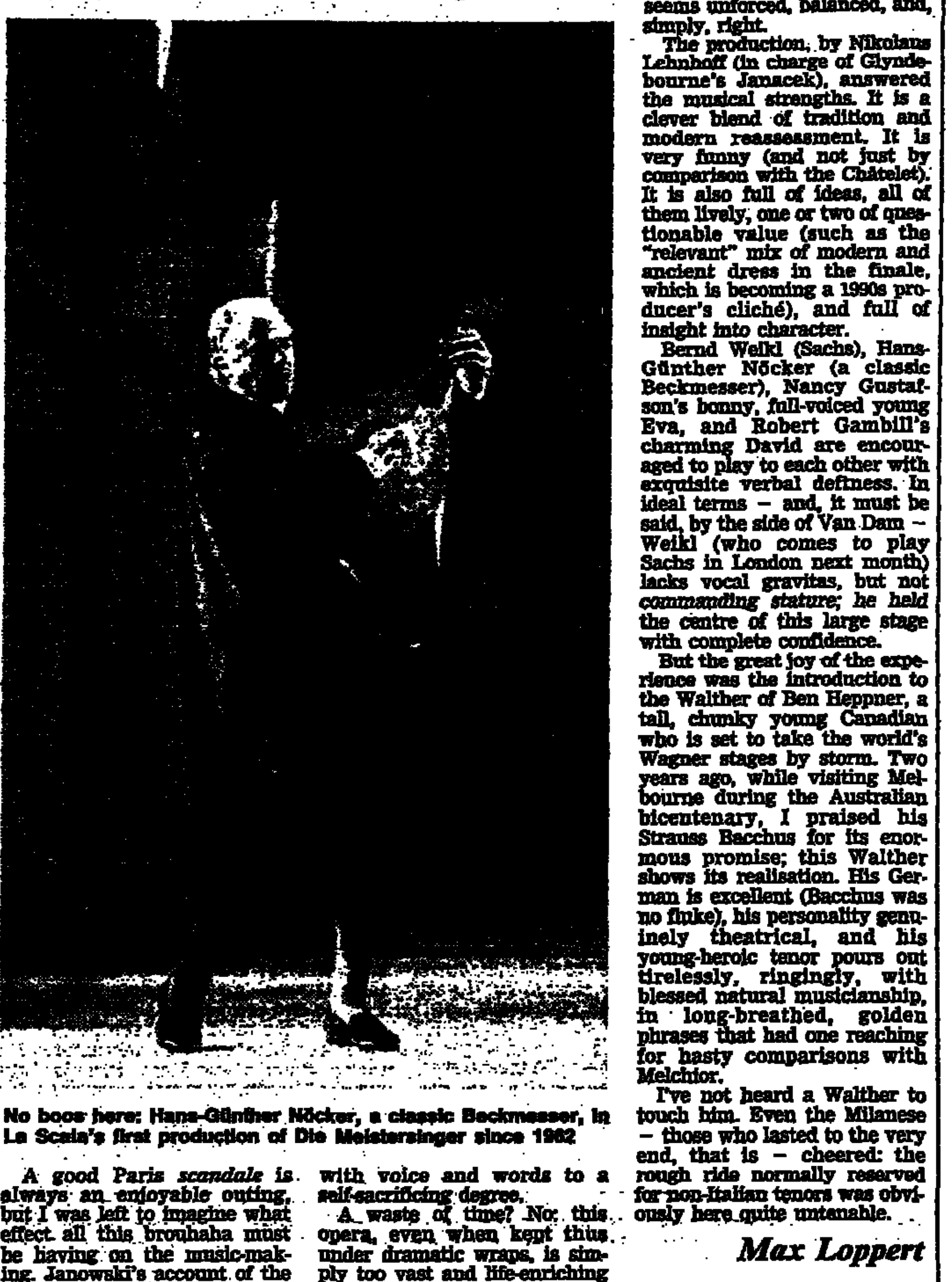
But the production junked the various advantages, planned or built-in: a more frustrating Wagner performance I have not attended. The producer, Claude Régy, is a distinguished man of the theatre acclaimed for his Paris stagings of Pinter, Sarraute and Duras – a natural for *Meistersinger*, n'est-ce pas? He feels that there is far too much realism in opera in general, and in this opera in particular. (I offer grateful thanks to an interview in the excellent Paris monthly *Opéra International* for elucidation on what M. Régy was up to.)

So out of Roberto Platé's single set, a beautiful grey-marbled mausoleum, went any reference to Nuremberg. In its place came hieratic gesture, always conducted at snail's pace, in conditions of murky gloom while on a raised-stage area at centre-back highly symbolic doings – a naked Adam and Eve couple parading, a *tutu-dressed ballerina and later* a slow deposition of a green-tinged Christ-corpse during the Festwiese jollities, and much, much *else* – were enacted with fine art and complete irrelevance to the words.

Occasionally, to insert an alternative to aching physical slowness, there was bursts of slightly more energetic activity, such as the oriental fight with sticks by two muscled athletes during the Act 2 finale (rain poured down from the wings, and fire burst from the floor). Parallels between Sachs and John the Baptist were artily explored; there was much refined attitude-striking. According to the producer, the audience already has a traditional presentation of this opera in its collective head, and can "play" this against his own mythico-abstract-emblematic ritual.

The problems caused by the producer's Wagnerian beliefs and viewpoint proved manifold. They *amounted*, indeed, to intellectual elitism of the worst sort, which marginalised all but Régy acolytes in the audience; and they appeared to spring not from a "critical" confrontation of the opera, a present-versus-past examination of the core issues raised (such as can be appreciated and respected in the various polemical German Wagner stagings of the postwar period), but from the purest aesthetic dandyism. If one of Molière's more stately *précieuses ridicules* had decided to mount *Die Meistersinger*, a not too dissimilar result might be imagined.

Worst of all, the act of denying, for whatever reasons of intellectual purity, a comedy its comic essence is an act of audience provocation. "Le Bluff," one Paris newspaper called it; and, as ever, the Paris audience were not slow to respond – boos marked each curtain-fall, cries of "Bravo Giselle!" and "Sortez Monsieur le cadavre!" rent the air in Act 3, and loud laughter greeted some of the more far fetched symbolism.



No boos here: Hans-Günther Nöcker, a classic Beckmesser, in La Scala's first production of Die Meistersinger since 1962

A good Paris *scandale* is always an enjoyable outing, but I was left to imagine what effect all this brouhaha must be having on the music-making. Janowski's account of the score, expertly paced, did seem unusually boisterous, quite unrelated to the tranced activities on stage, and quite lacking in the warmth and deep-toned richness normally associated with this opera.

The singers, required to do so little, were probably able to conserve vocal energies more effectively than in a "real" performance. I have never heard Sachs's music sung more beautifully, more nobly, with line more steadily–sustained or greater resources of melancholy poetry, than it was here by Van Dam, a great singer in his prime. He was not moving; but one hardly expected him to be, here. Lucia Popp's Eva, in spite of one or two edgy outbursts, sounded wonderfully fresh; the Walther of Norbert Orth (a quondam light tenor who has now taken on heavier German roles) managed with easy address, if no very impressive range of tone or dynamics. In a generally sound cast the Beckmesser of Eike Wilm Schulte was outstanding, strong, pointed, characterful with voice and words to a self-sacrificing degree.

A waste of time? No: this opera, even when kept thus under dramatic wraps, is simply too vast and life-enriching to be entirely straitjacketed by one producer's intellectual posturing. It was, nevertheless, a restorative tonic as well as a privilege to move on to Milan, where two days later there opened the first *Meistersinger* at La Scala since 1962. Under Wolfgang Sawallisch the orchestra played with splendour; in this great theatre – I'd rather hear Wagner here than anywhere else in the world – there was space for the instrumental sound, and with it that incomparable projection of the voices that needs no Bayreuth-style damping-down of the pit. Sawallisch, not a broad Wagner conductor in the old style, is now a complete master; everything he does seems unforced, balanced, and, simply, right.

The production, by Nikolaus Lehnhoff (in charge of Glyndebourne's Janacek), answered the musical strengths. It is a clever blend of tradition and modern reassessment. It is very funny (and not just by comparison with the Châtelet). It is also full of ideas, all of them lively, one or two of questionable value (such as the "relevant" mix of modern and ancient dress in the finale, which is becoming a 1990s producer's cliché), and full of insight into character.

Bernd Weikl (Sachs), Hans-Günther Nöcker (a classic Beckmesser), Nancy Gustafson's bonny, full-voiced young Eva, and Robert Gambill's charming David are encouraged to play to each other with exquisite verbal deftness. In ideal terms – and, it must be said, by the side of Van Dam – Weikl (who comes to play Sachs in London next month) lacks vocal gravitas, but not *commanding stature; he held* the centre of this large stage with complete confidence.

But the great joy of the experience was the introduction to the Walther of Ben Heppner, a tall, chunky young Canadian who is set to take the world's Wagner stages by storm. Two years ago, while visiting Melbourne during the Australian bicentenary, I praised his Strauss Bacchus for its enormous promise; this Walther shows its realisation. His German is excellent (Bacchus was no fluke), his personality genuinely theatrical, and his young-heroic tenor pours out tirelessly, ringingly, with blessed natural musicianship, in long-breathed, golden phrases that had one reaching for hasty comparisons with Melchior.

I've not heard a Walther to touch him. Even the Milanese – those who lasted to the very end, that is – cheered: the rough ride normally reserved for non-Italian tenors was obviously here quite untenable.

Max Loppert

Robin Chadwick, Stewart Granger, Glynis Johns and Roma Downey in Somerset Maugham's 'The Circle'

Fool into drag queen

Alastair Macaulay finds New York theatre horridly irresistible

NEVER MIND the London exports in New York theatre (*Miss Saigon* signs are now up everywhere; *Les Misèrables*, *The Phantom of the Opera* and the Peter Hall *Merchant of Venice* are all going strong). New York theatre has its own home-made versions of England. These are uniquely American and, to an Englishman, horridly irresistible. While in New York recently, I caught two such: down at the Triplex, the Mabou Mines' version of *Lear*, set in the American South in the late 1950s with all the sexes reversed, and, up at the Ambassador Theatre ,Somerset Maugham's *The Circle* with Rex Harrison, Glynis Johns and Stewart Granger.

Here's the Mabou Mines' recipe. Take a famous play (*King Lear*), reverse the sex of every character (the Fool becomes a drag queen; he sings "'Cos I'm a woman" at first entrance) and alter its locale and time beyond all reasoning (Smyrna, Georgia, in the 1950s). Cast a lot of leading lights of experimental theatre (Black-Eyed Susan is Albany, Ruth Maleczech is Lear.) Change words (Goneril's "Idle old man" becomes "Withered old hag") and ignore scansion. Put microphones by everyone's mouths (they look like Apache scars), to amplify the sound and displace the voices, but allow the cast to mumble and leave several words and lines inaudible.

It never succeeds as Shakespeare, but at first it half works as some sort of Tennessee Williams tale of a Southern matriarch and her three sons. Casting black actresses as Gloucester, Edgar (Edna) and Oswald (Wilda) adds some class tension – not often appropriately to the plot, but never mind. Edmund (Elva), however, is a platinum blonde gold-digger. Lear is a dog-lover; she pleads with Goneril and Regan for numbers not of servants but of dogs. Kent had begun in matching tweed skirt and jacket, with hat and curls; but, as all the doom piles up and all the men die, she and all the other women – those who survive and those don't – start wearing the pants. Cornwall is a vindictive Lesbian with the hots on Wilda and Elva. Regan and Elva have sex in one of the production's half-a-dozen stage cars. Confused? You won't be . . .

But you will be, for confusion is part of the staging's point. The more displaced Lear and his/her England becomes, the more Mabou Mines displaces Shakespeare and, for that matter, sense. Ah, deconstruction, ah, post-modernism. The big speeches are delivered either with palpable insincerity or like moaning arias. Finally, however, the production drowns under the booming gloom of Pauline Oliveros's conventionally movie-type score.

Lear is the kind of thing England never sees. *The Circle*, with such a cast, and Desmond Heeley's handsome set, would probably draw audiences in the West End. Perish the thought, though.

How smart to cast Glynis Johns and Rex Harrison – veterans whose fame is all to do with suave urbane command – as Lady Catherine Champion-Cheney and Lord Porteous, who've been exiled for decades from English society. (Johns is *playing* mutton dressed as lamb.) The roles almost disarm you from objecting to how desperately out-of-it they seem. As Clive Champion-Cheney, Stewart Granger – a younger ghost but from an even more remote galaxy – makes his Broadway debut. Same trick: since Champion-Cheney is an English gent who's long been out of circulation, you almost feel comfortable that that's how Granger seems too.

Cosey, posey, dozey. Everything is very audibly miked, and everyone pauses to allow the audience to react – except for the Big Scenes, where, with all too plain a change of gear, everything shunts into something resembling fluency. All this talk of unhappy marriage is simply too darling!

So enough of England; New York has done better by it before, and will do so again. P.S.122, far down First Avenue, is a well known for performance art. (P.S. for Performance Space.) I attended *If Men Could Talk, The Stories They Could Tell*, Richard Elovich's one-man, one-hour show . Elovich plays Danny Glick, fighting through AIDS, drawing on the support of his doctor, an Auschwitz survivor, and that of a friend who dreams of moving like Tina Turner. Illness here, death on the horizon, fantasy to this side, fear to the other. AIDS is a standard theme now in downtown New York theatre and dance, and Elovich's handling of it is not crass. But the piece founders on sheer lack of sheer technique. His verbal pacing is too monotonous to sustain interest for more than the first 30 minutes.

The last theatre I caught was far the best – *Juan Darién, a minor marvel by* Julia Taymor (who directed) and Elliot Goldenthal presented at St Clement's Church by the Music-Theatre Group. To say that this is "about" a tiger-cub suckled, reared and educated as a human in a South American town – it's like *The Jungle Book* in reverse – is too simple. It's about theatre itself, and it is lusciously alive with delight in visual effects, storytelling, emotion, contrast. This is a beautifully mobile show; it keeps moving, and it keeps changing its grasp on you. Devices often dismal in the theatre – tiny, 2-D silhouette-puppets; life-size 3-D dolls moved by black-garbed masked Bunraku puppeteers; wooden face-masks – all become part of a rich fabric of illusion and shifts of scale.

You are kept rapt by one surprising detail after another. The flight of a dragonfly. A night swarm of moths drawn to a light. The large picturesque model of a hillside town, with a tiny procession moving up it, graves studding the peak. A huge schoolmistress whose hair is the pages of a book. A schoolroom globe that spins, glows and reveals, within, the growth of an orchid. The main contrast that underpins *Juan Darién* is the oldest of all – that of life and death; and in its celebration of beauty and experience it transcends the savagery of its story. It proves both life-affirming and life-enhancing.

Sixth-form singer-poet

THE STORY has been recounted often enough to inspire every sixth-form poet with visions of instant fame and fortune – how but for good fortune and a perspicacious agent Tanita Tikaram would now be well into an Eng. Lit. course at Manchester University instead of in the midst of a 13-month world tour to promote her second album, *The Sweet Keeper*.

She got there, first time round, on the the simple, fresh strengths of her songs and an wide-open niche in the market; when the new crop of American female singer-writers – Vega, Chapman, O'Hara – began to make waves there was suddenly a space on this side of the Atlantic for a British analogue. Tikaram's good line in moody lyrics, well gravelled delivery and a musical style that carefully blended Leonard Cohen, Van Morrison and Joan Armatrading, fitted the bill precisely. Her first collection, *Ancient Heart* was hugely successful and contained some convincingly memorable songs, even if the lyrics didn't bear the closest inspection.

Now, though, she needs something more, and as *The Sweet Keeper* suggests, and the show at Hammersmith Odeon on Thursday confirmed, that something has yet to arrive. None of the new material has the immediate tang of songs like "Twist in my sobriety" and the verbal invention, forcing words into phrases where they really won't fit, is just contrived second time around. When Tikaram lifts the tempo the effect is oddly embarrassing, like a gawky child decked in a party dress several sizes too large; there's nothing instinctive about it, nothing to hint at another vein about to be mined in her songs.

But somehow she has managed to keep the image pristine: the slight figure in the tailored black trouser suit fronting an expert and tactful band really *does* still suggest the intelligent sixth-former catapulted into the wide world to offer her own simple philosophy on life, love and the unfairness of it all. No one has tried to slick down her stage act or beef up the cringe-making asides to the audience; they're evidently now too much part of the package. Nor can one report that the audience adored it all; the occasional screams seemed ritualised, the outbursts of rhythmic clapping invariably petered out within a few bars. As an occasion it was flat and unrevealing, but then I'm sure she is a very nice girl.

Andrew Clements

Radio

Nordic blood-feuds

THIS IS Scandinavian Week on Radio 3, the first of seven. The Week's Composer was thus inevitably Grieg, though we didn't come to *Peer Gynt* until Wednesday, and then mostly the vocal items. To plunge us into a deeper Scandinavian ambience, Saturday and Sunday gave *Njal's Saga* in three parts over the weekend, four hours in all.

There is less a plot than an overall situation where events that happen are shaped by family relationships. Njal is not a great fighter but a great lawyer. Halgaird Long-legs marries Gunnar Sunnarsson *en troisièmes noces*, and Njal warns that "she'll only be trouble." So she is, Njal is always at the Althingk settling a death with ounces of silver. Mördh Valgardsson is in the campaign against Gunnar because of insults offered to Halgairdt, his mother; and a fresh division is caused by Gunnar's adopting Hosskuld and making him a chieftain before his own sons.

Saint Olaf converts Iceland to Christianity (this is about 1000 AD, roughly—Hamlet's time, if we may believe W.S.Gilbert), but the blood-feuds go on. The offer of a scarlet cloak leads to blood vengeance. Flawssi, whom we have barely heard of, finally decides to burn Njal's house and all his family, and I am sorry I do not know quite why. Only the Orkneyan, Kauri, escapes; he flees to Wales. Flawssi is pardoned by the Pope

I am pleased to have heard this, so I know better how sagas go. Magnus Magnusson, the translator, says it is a "towering masterpiece" but as broadcast material, even dramatised by the experienced David Wade, it is sadly confusing, mostly because of the unfamiliar proper names that crop up all the time. If the Radio Times had given some kind of family-tree, things would have been easier. Jeremy Mortimer directed, with a plethora of quiet, baffling sound, that didn't include the noise of Gunnar's "ringing halberd."

I had hoped that while it was involved with Scandinavia, Radio 3 might have offered a *Third Ear* one evening on the exhibition of Norwegian sardine-tin labels that Observer told us about this week. Just as serious as Grieg, surely?

Since we are in for a couple of months' exotica, let us learn something of Interpol. World Radio gave a programme on Monday, the first of two, from the HQ at Lyons. Nothing "Secret Service," simply an information exchange between 150 police forces (not including USSR). Different varieties of message deal with different emergencies, and may be forwarded to other nations involved without intervention in Lyons. A name will bring up a file: the presenter, Mike Bullen, wasn't on record, but other Bullens were.

Monday's production of *The Beaux' Stratagem* celebrated the 50th birthday of the Radio Drama Company, and very prettily it did so. With few cuts, none more than a few lines, we had two hours of Faulkner's enjoyable dialogue, spoken elegantly under Glyn Dearman's direction.

We take this company too much for granted, and it was right to publicise it in Sunday's programme, *Voices in the Air*. Vast or trivial, clever or silly, plays are done to an evenly admirable standard in which the occasional invited star can always fit. The company contains 30 players (there were 17 in the Faulkner, 27 in the saga), and always includes two students. It was formed in September 1939, as much from strategic as dramatic motives. It first emigrated to Evesham, and performed in stables, from which Marius Golding played Hitler. Then on to Manchester, with a branch in Bristol; but as soon as possible, back to Broadcasting House. Old stagers remember names like Marjorie Westbury, who was Paul Temple's Steve for years, and often turned up as a boy if you ever wrote for an unbroken voice. I can go back beyond the 50 years, actually, for my first play was broadcast in the autumn of 1939 – under Howard Rose, whose name was inexplicably missing from Sunday's album. He gave me Alec Clunes in the lead. It went out seven times altogether, including television. Perhaps I should have stuck with the drama.

B.A. Young

Gracious lady

DIONNE WARWICK, a gracious and elegant lady, is currently over here to sell a few records. Her place in pop history is secure thanks to those romantic ballads written for her by Burt Bacharach in the early 1960s – "Walk on by," "Anyone who had a heart" – songs of lost love which launched the careers of Dusty Springfield and Cilla Black who did hamfisted cover versions of Dionne's Stateside hits.

She long ago sold out to cabaret and her Palladium concert on Thursday was a sadly sedate affair. The stage groaned with musicians – dozens of fiddlers, stacks of brass, when Dionne Warwick, who still has perfect phrasing and a faultless voice, only really needs her rhythm section.

The performance was conventional to the point of stupor. The only moment of drama was when she sang, without blushing, a duet with Jeffrey Osborne who was only present on tape. There were two songs from their latest latest album which needed a plug: the early hits had been quickly despatched in a medley.

She is an obviously a nice lady, now rather at odds with her material. One quite can't imagine her losing out so repeatedly in the love stakes. But she should soon be over such nonsense and as she put on her specs to read the lyrics to her latest single, "Walk away," you could see her easing into an Ella Fitzgerald-like stateliness.

Her fans seem loyal enough, paying vast sums for little over an hour of music, and they responded well to her more positive climax when she let us know that it was friendship that survived and we were her friends. Just as the tempo quickened and Dionne opened her lungs for "I'll never love this way again," and other tearjerkers, she was off. The curtain dropped; the house lights glared; and the audience, and the evening, disappeared as quickly as if it had never been.

Antony Thorncroft

CHESS No. 811

1 Qc5. If 1 ... e3 2 Qc8 (threat 3 Qh8) gxh3 3 Qxh3, or Kh4 3 Qxg4. If 1 ... gxh3 2 Qg1 (threat 3 Qg5) Kh6 3 Qg6. If 1 ... g3 or Kh4 2 Qe3 mates next move.

SPORT

Bashing the bookies at unlovely Lingfield

Michael Thompson-Noel goes all-weather racing and leaves happy

I ARRIVED at Lingfield racecourse in the perfect frame of mind. It was a bleak and grey Tuesday with dead clouds about and a tempest in the offing, but I was wearing my impresario's coat and carrying the raffia attaché case they gave me in Barbados. It bears the words "Royal Visit," stitched on the side in blue, and is extraordinarily useful for transporting £10 notes. Consecutively numbered notes. Bound with rubber bands. Serious racing money. Strictly for professionals.

I never show a bookmaker a £20 note. A £50 would be ridiculous. Show a grasping bookie a high-denomination note and he will recognise a fool and mutilate his odds accordingly – or make off down the track as fast as his legs can carry him. It is the tenners that tend to terrify them. Bound with rubber bands. Serious racing money.

What had taken me to Lingfield was an urge to watch a bit of all-weather racing on Lingfield's artificial surface, which goes by the name of Equitrack. So far, the only other artifical track on which English horses race is the Fibresand one at Southwell.

At the time, these new-fangled tracks sounded like a good idea – which was that in the depth of winter, when racing is often abandoned because of frost, floods or snow, there would be some sort of racing *somewhere* so that the punters in the off-track betting shops – who are basically mindless Charlies – would have something on which to gamble so as to prop up the bookies' turnover which drip-feeds the Betting Levy Board. It is on Levy Board hand-outs that racing depends for its existence.

Gambling in betting shops is taxed quite severely, whereas gambling at the racetrack is exempt from betting duty. But you have still got to get there, and that can be expensive. To get to Lingfield, I laid out £15.80 in train fares. I also spent 50p on the *Sporting Life*, £4.20 for *Timeform*'s ratings, £5 for clubhouse entry, £9 for lunch (crab claws and prawns) in the Barrie Cope Seafood Bar, and £1.05 for coffee and cake. (I imagine that the *FT's* Finance Department, as it likes to call itself, will ring down and question these figures impertinently, but you cannot do things on the cheap: not at the track, you can't).

Having gathered my wits, I surveyed the scene about me. The first thought that struck me was how dreadful Lingfield looked. It used to be a nice course. Now it looks a mess, a bit like an abandoned aerodrome. There are huts and buildings everywhere, including a grim motel.

And then I started to wonder: where were all the people? The place seemed deserted. Was the whole thing artificial, a complete fabrication with only one aim in mind: to provide ultra low-rent action for the benefit of the betting shops?

The first race was billed as the Margery Allingham Handicap, a two-mile event for four-year-olds and up. If you know a bit about racing, you will appreciate that to kick things off with a two-mile handicap can be a terrible shock to the system. You need to have got your eye in for a two-mile handicap. To find out why anyone would call a race the Margery Allingham Handicap, I went in search of the clerk of the course, the amiable Geoff Stickels. In my notebook, all clerks of the course are amiable, just as all trainers are eccentric, all jockeys wizened, and all bookmakers legitimate targets for raillery.

Stickels was certainly amiable, claiming that all-weather racing – Tuesday marked the 31st of 40 days' racing scheduled this winter on Lingfield's Equitrack – was here to stay. "We are very pleased," he said. "We would have liked bigger crowds, of course, but we only budgeted for crowds of 500 and have been averaging 450 payers. The winter has been mild, so the benefits of the artificial track have yet to be fully appreciated. The Flat races at Lingfield have produced some extremely exciting finishes, and the form works out well. There are probably more true-run races on this surface than on turf. There have been plenty of winning favourites, which is good for professional backers."

But what about Margery Allingham? He told me: "We've had very few sponsors so far, but we've got to call the races something. We've done rivers and flowers, for example. Today, it is thriller writers." As a result, Lingfield on Tuesday had races named after Dorothy Sayers, Helen McInnes, Evelyn Anthony, Agatha Christie and Georgette Heyer, as well as Miss Allingham.

Before the first race, I went in search of a bookmaker blowing his nose without using a handkerchief, in order to persecute him with my wager. I found one straight away. But my sleuthing through the form book proved wide of the mark and I lost my opening bet. From then on, however, I started to win in style. I will not specify my winnings, for they cause envy and despair. But I am happy to describe them in terms of BBUs (Big Betting Units).

On the first race, I lost two BBUs. On the second, I won 2.5 BBUs by shrewdly coupling Murmuring with Jovial Kate in the Tote forecast, which paid 8.4-1. The third race looked really tricky. As the *Life* explained: "The fact that all six runners wear either blinkers or a visor suggests they are not the most reliable bunch." That was putting it mildly. I studied them in the paddock. An odder bunch of racehorses you would not wish to meet. I had nothing to do with them.

The fourth race made my fortune. It was the Evelyn Anthony Handicap for four-year-olds and up over seven furlongs. Casting caution to the wind, I wagered numerous BBUs on Merseyside Man, a natty bay gelding by an American sire which rocketed home the winner at 7-2 favourite. That was with the bookies. I used the Tote, which paid 4.2-1. During the course of the afternoon, the Tote paid more generous odds than the bookies on five out of six races. The bookies should be ashamed. I lost moderately on the fifth race and left the track before the sixth. My profit on the day was 7.5 BBUs. Return on capital employed: 79 per cent. A lot better than Sock Shop.

The racing *was* exciting, even though the horses were strictly bottom drawer. Two races were won by a head and another by a neck, and there were three winning favourites. But does artificial racing have a future in England? Views differ greatly. One important bookie told me that he doubted if it would survive. Crowds were very small. Business was much too slack.

But the trainers who have tried artificial racing seem generally in favour of it. David Murray-Smith, who handles 40 jumpers and 20-25 Flat racers, won the fifth race at Lingfield with Valiant Red and told me he liked the artifical surface, at least for Flat horses. "I've had 25 all-weather runners, and six winners. It provides opportunities for the lesser horses, or for those that have been injured or otherwise missed the action. I had a number jarred-up from last summer, for instance."

Whether artificial racing survives in England will be determined by the off-track masses and by the big betting shop groups. Myself, I rather like it. I enjoyed my trip to Lingfield. I have got the BBUs to prove it. Packed in a smart attaché case. Bound with rubber bands. Ready for the next time.

Racing on Lingfield's all-weather surface: "The benefits have yet to be fully appreciated," says clerk of the course Geoff Stickels

Romania's rugby re-birth

WHEN Radu Demian walks into his office in a purpose-built block in the centre of Bucharest, he no longer has to look over his shoulder. The Securitate, the dreaded secret police, are gone – at least from view. Even better, he will at long last be able to accept invitations to play abroad. This is his version of Paradise for, as head of the Romanian Rugby Federation since last month, he is now free to do almost exactly what he wants.

This is something of a change from the days of the Ceaucescu regime when all sporting activities, clubs and federations were under the direct supervision of the National Council for Sport (NCS). "It hardly mattered what decisions we made, there was no question of autonomy," says Demian, a tall, stocky man who spent many of his 51 years on the rugby pitch.

During the early years of the Ceaucescu regime, things were not so bad for the Rugby Federation and the 200 clubs for which it is responsible. Indeed, Demian speaks with a certain nostalgia of the years between 1965 – when the Ceaucescus took power – and 1972. "At the beginning of the Ceaucescu era, we had no difficulties in playing abroad. In 1971, our relations with the UK really improved. Our players were even allowed to play and work there. Travel was not a problem." He lists names of top-flight Romanians who turned out for west European clubs: Valeriu Irimescu, Mihai Vusek, Paul Ciobanel – even Demian himself, who once played for a French side.

"They were the good old days," he says. No-one thought of defecting: what was the point when young players could come and go as they pleased. But in 1973, two years after Nicolae Ceaucescu returned from a trip to China (which, as it turned out, was to influence his particularly oppressive style of rule), rugby, like all other sporting activities, was brought under the official thumb of the NCS.

Demian reckons Ceaucescu did not want players (or, for that matter, any Romanians) to become infected with the germ of democracy; thus, he banned them from travelling. "It was demoralising," he says. Inevitably, the quality of the game suffered – especially as several leading players, whose clubs were lucky enough to get permission to play in other countries, took the chance to defect.

These included Octavian Moraru and Constantin Laurentiu in 1987, and Cristian Raducanu in 1989 (he is now playing for the Boroughmuir club in Edinburgh although the Bucharest rugby authorities made clear this week that he was welcome to return).

Ceaucescu did not, however, ban visiting teams, which always brought presents for their hosts. "They gave us shirts and rugger balls. We simply did not have any decent sports gear, not even cotton shirts," explains Demian. That was due to Ceaucescu's obsession with repaying Romania's foreign debt at breakneck speed. The upshot was that, without proper gear, Romanian rugby hit bad times. Indeed, the federation was unable even to pay its dues of FFr3,000 to the International Rugby Board. The legacy remains: "In the storehouse now," Demian says, "we have about 100 pairs of rugby boots and about 60 balls to go around 7,000 players."

Two of Romania's clubs did not, however, share in the general malaise. These were Dinamo and Steaua, "managed" respectively by the Ministry of Interior and the army. Other players roll their eyes in envy as they recount the privileges handed out to these teams. Money was available, equipment good, transport comfortable and the food "so much better" than that for ordinary people. Dinamo and Steaua players even got flats from their clubs – a luxury about which many Romanians can only fantasise. "All their social problems were taken care of," says Demian. Not surprisingly, the country's best international players came from Dinamo and Steaua.

Despite the privileges, even these clubs had their "minders" whenever they played in the West. Demian recalls: "The teams were accompanied by certain people who had a vague and undefined task in 'physically preparing the players.' They did nothing but everybody knew they were the Securitate. These people were generally excluded from the team, who had as little possible to do with them."

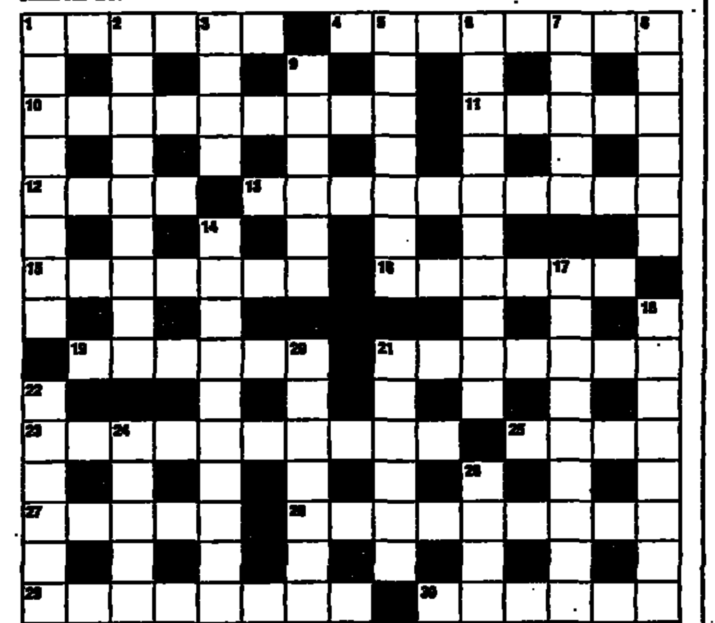
Now, though, after just a month in his job and two months since the overthrow and execution of the Ceaucescus, Demian has other things on his mind. With Romanians allowed to travel and hold foreign currency – previously a crime – the Rugby Federation is taking full advantage. It is looking for sponsors from abroad to build up its clubs with new equipment. "Just think," he says. "For the first time in years, we can answer positively to the invitations. And come the World Cup next year, I am telling you – we'll be ready."

Judy Dempsey

CROSSWORD

No. 7,173 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday March 7, marked Crossword 7,173 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 10.



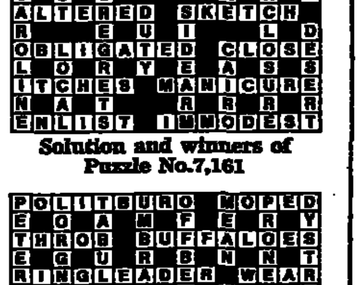
ACROSS

1 Sloppiness of kiss in Italy, perhaps? (6)
4 Double ground-rent deposit put down for a Polynesian skirt (4-4)
10 Australian can attack this sure-footed creature (5-4)
11 Disorder of flying-crew (5)
12 Ready to demolish pier? (4)
13 But it is not the material of war medals! (5,5)
15 Pig's foot seen on American racetrack (7)
16 Cards of the future? (6)
19 Bell-ringer, female perhaps, putting on weight (6)
21 One who fishes on first of January is a quarrelsome type (7)
23 Di Spenser joined up as one? (10)
25 So surprised to see silver go back (5)
27 Dramatist in the same place, next to nurse (5)
28 Ants' union turning-out, sounding as one (9)
29 Hood could be strange after midnight (8)
30 A dash put in a cocktail shaker? (6)

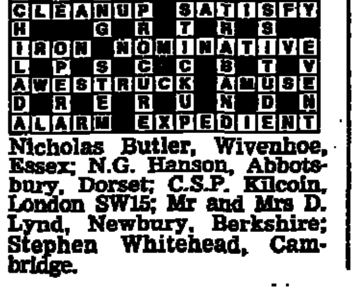
DOWN

1 Free party cut short by note (8)
2 Oxyphenol derivative of a wood-tapper (9)
3 Trifles could be tops, for example (4)
5 Draw up army leaflet (7)
6 Water jolly blue! (10)
7 Benefit as agreed upon (5)
8 Early terrorist who made a Manx race ail badly (6)
9 In which striker is not back at work (6)
14 Do bank tellers prepare them? (10)
17 Paper and wire (9)
18 Resort said to clear up (8)
20 Clue not adapted for a great bat (7)
21 Newly-arrived chap? (6)
22 Well bound (6)
24 Crime in which clergyman loses head (5)
26 £25 a glass? (4)

Solution to Puzzle No.7,172



Solution and winners of Puzzle No.7,161



Nicholas Butler, Wivenhoe, Essex; N.G. Hanson, Abbotsbury, Dorset; C.S.P. Kilcoin, London SW15; Mr and Mrs D. Lynd, Newbury, Berkshire; Stephen Whitehead, Cambridge.

TELEVISION & RADIO

SATURDAY

†indicates programme in black and white

BBC1

7:30 am Saturday Starts Here! with Playdays. 7:55 Laurel and Hardy cartoon. 8:00 Mersey Tales. 8:05 The New Adventures of Mighty Mouse. 8:20 Chuckievision. 8:35 Thundercats. 9:00 Going Live! 12:12 pm Weather.

12:15 Grandstand including 12:20 Hockey (The World Cup Final from Lahore); 1:00 News; 1:05 Bowls (The Embassy World Indoor Championship from Preston); 1:25 Racing from Punchestown; 1:45 Bowls; 2:05 Racing from Punchestown; 2:15 Bowls; 2:35 Racing from Punchestown; 2:45 Rugby League (Action from the third round of the Silk Cut Challenge Cup; 3:50 Football; 4:00 Bowls; 4:35 Cricket (Highlights of this morning's play between West Indies and England in the First Test in Jamaica; 4:40 Final Score.

5:05 News. 5:15 Regional news and sport. 5:20 The Flying Doctors. 6:05 Jim'll Fix It. 6:40 Little and Large. 7:15 The Paul Daniels Magic Show. 8:00 Waterfront Beat. 8:50 News and Sport. 9:10 Midnight Caller. 10:00 Rory Bremner. 10:30 Film: "National Lampoon's Vacation" starring Chevy Chase and Beverly D'Angelo. 12:05 am Cricket: First Test (highlights of the first day's play between England and the West Indies). 12:35 Film: "Count Yorga, Vampire" starring Robert Quarry. 2:05-2:10 Weather.

BBC2

2:45 pm Shrikant. Part 8 (in Hindi with English subtitles). 3:25 The Sky at Night. 3:45 Ingrid in Italy. †4:10 The Film Club: Gilbert Adair introduces "Stromboli" starring Ingrid Bergman. 5:55 Bowls: World Indoor Championship. 6:20 Rhythms of the World: 'Groove Zaire'. 7:15 Newsview.

[illegible] in the continuing season of films by Roberto Rossellini, Gilbert Adair introduces "Voyage to Italy" starring Ingrid Bergman and George Sanders. 1:55-2:25 Bowls (highlights from today's matches in the Embassy World Indoor Championship).

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth 2 including Scooby Doo at 9:45 and at 10:30 The Real Ghostbusters. 11:30 The ITV Chart Show. 12:30 pm The Munsters Today. 1:00 ITN News followed by national weather. 1:05 Local news and weather. 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 Coronation Street. 3:05 Snooker (Pearl Assurance British Open). 4:45 Results Service.

5:00 ITN News followed by national weather. 5:05 Local news and weather. 5:15 Steel. 5:45 Baywatch. 6:40 Haggard. 7:10 You Bet! 8:10 Murder, She Wrote. 9:10 Yellowthread Street. 10:10 ITN News and sport followed by national weather. 10:25 Local weather. 10:30 Aspel & Company. 11:15 Snooker (Pearl Assurance British Open). 12:30 am Saturday Night at the Movies.

CHANNEL 4

7:30 am International Times - World News. 8:00 Transworld Sport. 9:00 Channel 4 Racing: The Morning Line. 9:25 Sing and Swing. 9:30 Same Difference. 10:00 Travelog. †10:30 Film: "On Borrowed Time" starring Lionel Barrymore. 12:25 pm Wales. 12:30 Dance with Me. 11:00 "It's A Wonderful World" starring James Stewart. 2:25 Corral. 2:30 Channel 4 Racing from Kempton Park.

5:05 Brookside Omnibus. 6:00 Right to Reply. 6:30 Scottish Eye. 7:00 The World This Week. 7:15 Europe Express followed by Weather. 8:00 Adventures: K2 - Triumph and [illegible]

S4C WALES

[illegible]

ANGLIA

[illegible]

BORDER

[illegible]

CENTRAL

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

TSW

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TYNE TEES

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YORKSHIRE

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RADIO

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

SUNDAY

†indicates programme in black and white

BBC1

[illegible]

BBC2

[illegible]

CHANNEL 4

[illegible]

S4C WALES

[illegible]

LONDON

[illegible]

ANGLIA

[illegible]

BORDER

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CHANNEL

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HTV

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SCOTTISH

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TSW

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TVS

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TYNE TEES

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ULSTER

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YORKSHIRE

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RADIO

[illegible]

RADIO 2

[illegible]

RADIO 3

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RADIO 4

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